



**Western Cape  
Government**



**WESTERN CAPE**  
LIQUOR AUTHORITY



**Annual Report 2016/17**  
Western Cape Liquor Authority





# **WESTERN CAPE** LIQUOR AUTHORITY

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## Annual Report

2016/2017  
FINANCIAL YEAR

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# **PART A:** GENERAL INFORMATION

### 1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	<b>Western Cape Liquor Authority</b>
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WEBSITE ADDRESS:	<a href="http://www.wcla.gov.za">www.wcla.gov.za</a>
EXTERNAL AUDITORS:	<b>Auditor General of South Africa</b>
BANKERS:	<b>Nedbank Limited</b>



## 2. LIST OF ABBREVIATIONS/ACRONYMS

<b>Act</b>	Western Cape Liquor Act (4 of 2008) as amended
<b>AGSA</b>	Auditor General of South Africa
<b>AHRGC</b>	Alcohol Harms Reduction Game Changer
<b>APP</b>	Annual Performance Plan
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>DEDAT</b>	Department of Economic Development and Tourism
<b>DoCS</b>	Department of Community Safety
<b>DPO</b>	Deputy Presiding Officer
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>GB</b>	Governing Board
<b>GRAP</b>	Generally Recognised Accounting Principles
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Finance Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>LLA</b>	Liquor Licencing Administration
<b>LLT</b>	Liquor Licencing Tribunal
<b>LMaTS</b>	Licencing Management and Tracking System
<b>MEC</b>	Member of Executive Council
<b>MTEF</b>	Medium Term Expenditure Framework
<b>PFMA</b>	Public Finance Management Act
<b>PO</b>	Presiding Officer
<b>OHS</b>	Occupational Health and Safety
<b>SAPS</b>	South African Police Service
<b>SCM</b>	Supply Chain Management
<b>SEF</b>	Social and Education Fund
<b>SITA</b>	State Information Technology Agency
<b>SMME</b>	Small Medium and Micro Enterprises
<b>TR</b>	Treasury Regulations
<b>WCLA</b>	Western Cape Liquor Authority

### 3. FOREWORD BY THE CHAIRPERSON

With the Western Cape Liquor Authority's Governing Board entering its last year of its three-year term, it gives me pleasure to present the annual report for the 2016/2017 financial year. Two new Governing Board members were appointed on the 16th January 2017 and we look forward to working together with our new members. The Annual Report affords us another opportunity to reflect on the financial and non-financial performance of the WCLA for the year under review.

One of the highlights was the finalisation of the amendments to our legislation. These legislative amendments will enable the Authority to build capacity for the Liquor Licencing Tribunal and will facilitate improved enforcement initiatives. Although necessary, these new amendments also present the Authority with challenges in implementing this new legislative regime.

As part of remaining relevant and understanding our opportunities for an improved service, we will continue to conduct perception surveys. This will measure the level of satisfaction of our clients with our services. Furthermore, the Authority will continue to build relationships with various partners in rolling out initiatives and programmes.

The Authority fully supports and participates in the Provincial Governments Alcohol Harms Reduction Game Changer. As part of our social education and enforcement programmes the Authority is further contributing to the Harms Reduction initiatives of the Game Changer.

With regards to the financial expenditure we have 97.37% expenditure of allocated budget. We further have managed to meet and exceed most of the performance indicators directly under our control.

Finally, I thank Minister Dan Plato and the Department of Community Safety for their continued support throughout this financial year.



**Michael Eric Jones**

A handwritten signature in blue ink, appearing to read 'Michael Jones', with a stylized flourish extending from the end.

**Michael Jones**

**Chairman of Governing Board: Western Cape Liquor Authority**

Date: August 2017

### 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The 2016/17 financial reporting cycle is again evidence of the commitment of the Western Cape Liquor Authority towards its mandate of implementing the Western Cape Liquor Act. This entails, amongst others, the regulation of the liquor industry in the Western Cape and to perform against the predetermined performance objectives. It is a pleasure to look back on the achievements in this fifth year of existence of the Western Cape Liquor Authority.

In addressing the capacity constraints faced by the Authority an organisational design process was initiated in the year under review and has been approved by the Governing Board of the entity. The organisational design report is now awaiting approval by the Provincial Government.

Further enhancements to the Licence Management and Tracking System (LMaTS) of the Authority are at an advanced stage and will continue into the coming financial year. These enhancements, amongst others, include:

- SMS notifications in terms of feedback on applications;
- System generated management reports;
- Call centre workflow that allows the tracking of complaints and queries; and
- Automation of the inspection process.

One of the new initiatives, as part of our inter-governmental relations, has resulted in a partnership with the Department of Trade and Industry and the National Liquor Authority to develop the first on-line case management system for Provincial Liquor Entities.

The Western Cape Liquor Authority spent 97.37% of its allocated budget for the financial year under review. The difference in budgeted and actual expenditure represents commitments and accruals that have not been expensed at year end. The attached Annual Financial Statements, compiled according to GRAP standards, outline the financial position and financial performance of the entity in detail for the 2016/17 financial year.

The Authority continuously reviews its supply chain management policies and processes to ensure alignment with the updated National and Provincial Treasury Regulations and Instructions. The Audit Report matters raised by the Auditor General in the 2015/16 financial year are being addressed by the management of the Authority. The greatest challenge remains human capacity which will be exacerbated by additional legislative requirements.

In conclusion I would like to thank the WCLA staff, the Governing Board of the Authority, the Liquor Licensing Tribunal, the Department of Community Safety and Minister Dan Plato for their support.



**Luzuko Mdunyelwa**

**Chief Executive Officer: Western Cape Liquor Authority**

Date: August 2017



**Dr. Luzuko Mdunyelwa**

### 5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the Annual Report is consistent with the Annual Financial Statements audited by the Auditor General.
- The Annual Report is complete, accurate and is free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on annual reports as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control. This was designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- The external auditors are utilised to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2017.

Yours faithfully



**Chief Executive Officer**  
**Luzuko Mdunyelwa**  
Date: August 2017



**Chairperson of the Board**  
**Michael Jones**  
Date: August 2017

## 6. STRATEGIC OVERVIEW

### 6.1. Vision

To be the leading liquor regulator in the world by endorsing compliance within the liquor industry and work towards the eradication of liquor's social ills to ensure responsible consumption and trade in liquor in the Western Cape.

### 6.2. Mission

- Creating an enabling environment for the efficient and effective regulation of the liquor industry in the Western Cape to further a resilient, sustainable, quality and inclusive living environment.
- Facilitate the entry of new liquor licence holders in the Western Cape to reduce illegal liquor trading and to create opportunities for growth and jobs.
- Maintaining sustainable partnerships with all relevant stakeholders to assist in the fight against the irresponsible use of and trade in liquor whilst increasing community wellness, safety and tackling the negative social ills of liquor abuse in the Western Cape.

### 6.3. Values

In the execution of their collective functions, the Authority places the highest value on:

- **Integrity**  
The quality of possessing and steadfastly adhering to a moral or ethical code and high professional standards.
- **Honesty**  
The quality, condition, or characteristic of being fair, truthful, and morally upright in conduct and adherence to the facts.
- **Incorruptibility**  
Moral uprightness and selfless service of public servants.
- **Transparency**  
The principle that the WCLA will conduct its business in an accessible, clear and visible manner and that its activities are open to examination by its stakeholders.
- **Responsibility**  
Having the authority to make decisions and following through on the expectation to make those decisions and take necessary action.
- **Accountability**  
The principle that the Organisation is obligated to demonstrate and take responsibility for its actions, decisions and policies and that it is answerable to the public at large.
- **Human Resource Development**  
Encouraging and assisting human resources to acquire new skills and/or to advance skills, knowledge, and viewpoints, by providing opportunities for development.
- **Mutual Respect**  
Encouraging a culture of mutual respect by treating every person with dignity and equal worth.

## 7. LEGISLATIVE AND OTHER MANDATES

### 7.1 Constitutional mandates

The Regulation of liquor licencing is a provincial competency in terms Schedule 5 of the Constitution. For this reason the Western Cape Liquor Authority has been established in terms of Section 2(1) of the Western Cape Liquor Act, Act 4 of 2008.

### 7.2 Legislative mandates

Significant changes have been made to the Western Cape Liquor Legislation. In December 2010, the Western Cape Provincial Parliament passed the Western Cape Liquor Amendment Act, 2010 (Act 10 of 2010) ("the Amendment Act") to be read in conjunction with the Western Cape Liquor Act No. 4 of 2008. On 21 December 2011 the Western Cape Liquor Regulations was passed which contained the new price schedules. A second amendment bill, the Western Cape Liquor Amendment Act, Act 3 of 2015 was promulgated on 14 December 2015. This amendment act will take effect once the related regulation amendments are finalised and signed off by the relevant MEC. On 15 March 2016 the Premier enacted certain sections of the Amendment Act, Act 3 of 2015.

#### **Other Legislation includes:**

Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999 - To regulate the financial management of provincial entities like the Western Cape Liquor Authority and to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively and to provide the responsibilities and authorities to persons entrusted with financial management.

#### **Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)**

To give effect to section 217(3) of the 1996 Constitution by providing a framework for the implementation of the procurement policies contemplated in section 217(2) of the 1996 Constitution and to provide for matters connected therewith.

### 7.3 Policy mandates

The Western Cape Provincial Government in 2015 embarked on a revision of the Province's Liquor Policy. During the year under review the revised Liquor Policy was published as a Green Paper inviting comments from the public. It is currently in the process of being drafted into a White Paper which will inform new liquor legislation. The Western Cape Liquor Authority as a provincial entity is part and parcel of this policy development.

Another policy implemented by the provincial government is the Alcohol Harms Reduction Game Changer. This policy encourages a holistic view to be taken when regulating alcohol with the aim of making communities safer and enhancing lifestyle opportunities for the communities.

### 7.4 Relevant court rulings

The Constitutional Court matter known as *Ex Parte* the President of the Republic of South Africa in re: Constitutionality of the Liquor Bill, heard as case CCT 12/99 by the Constitutional Court of South Africa on 31 August 1999 and decided on 11 November 1999 with the judgment delivered by Cameron AJ refers.

The State President, at the time, took the unprecedented step to utilise section 79(4)(b) of the 1996 Constitution to refer a bill to the Constitutional Court to have the constitutionality thereof tested after the bill has been approved by the National Assembly. The State President stated his reasons to include that the bill clearly intends to deal with the registration for the manufacture, wholesale distribution and retail sale of liquor and that according to his understanding it might be in conflict with the “liquor licencing” a provincial competency in terms of Part A of Schedule 5 of the Constitution, 1996.

The Constitutional Court found that if the exclusive provincial legislative competence regarding “liquor licences” in Schedule 5 applies to all liquor licences, the national government has made out a case in terms of Section 44(2) justifying its intervention in creating a national system of registration for manufacturers and wholesale distributors of liquor and in prohibiting cross-holdings between the three tiers in the liquor trade. However, no case was made in regard to retail sales of liquor, whether by retailers, manufacturers, nor micro-manufacturers whose operations are essentially provincial. The Minister failed to establish that Parliament had the competence to enact the Liquor Bill and it is therefore unconstitutional.

This finding is of utmost importance in establishing the legislative and functional powers and responsibilities of the national and the provincial governments regarding liquor licencing.

### 7.5 Planned policy initiatives

The Western Cape Liquor Authority is in the process of engaging various policy initiatives. These policy initiatives include, but will not be limited to:

- Contribution of the WCLA in the reduction of irresponsible and illegal liquor trading; and
- Participation of the WCLA in the development of the Province’s new policy approach on liquor regulation and possible amendments to the Provincial Liquor Act.



### 8. ORGANISATIONAL STRUCTURES





# **PART B:** PERFORMANCE INFORMATION

### 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance compared to predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor's Report.

Refer to page 54 of the Auditors Report, published as Part E: Financial Information.

### 2. SITUATIONAL ANALYSIS

#### 2.1. Service Delivery Environment

The challenge of government, and in particular the Western Cape Liquor Authority is to find a balance between addressing alcohol abuse and economic development. The unintended consequence of a stricter approach to licencing is the potential impact on economic development and job creation in the Province. On the other hand, alcohol abuse places an enormous burden on the financial resources of the provincial government. The Alcohol Harms Reduction Game Changer Policy contributes to the direction and strategy implemented by the Authority to tackle this complex environment.

Attention is drawn to the key challenges below:

- Evidence points to a causal relationship between alcohol abuse, criminal activity and violence. Excessive drinking has the capacity to lower inhibitions, impair judgements and increase the risk of aggressive behaviour in individuals. As a direct result of this, alcohol-related violence and crime rates continue to rise throughout the country. Of particular concern is the violence that occurs within family structures that ultimately destroys many communities.
- A huge challenge facing Provincial and Local Government agencies as well as municipalities, encompasses not only the different interests of the currently unlicensed shebeens but also that of the residents in the residential areas. Public participation, police reports as well as municipal comments play a big role when considering the application for a licensed premises. Shebeens, on the other hand, are part of or attached to residential premises. For many, the setting up of a shebeen is a way of making an adequate living and a means of providing recreational facilities. Many attempts and interventions have been considered to bring the shebeens into the legal space, however factors that influence the shebeens' move from unlicensed to licensed businesses are barriers in local authority legislation and a shortage of resources to assist in the process. A lack of resources limits the ability of the law enforcement agencies to act in a consistent manner against unlicensed sellers of liquor. The unlicensed sale of liquor continues largely unabated and with little fear of consequences.
- The economic benefits of the liquor industry are measurable on three counts:
  1. The monetary value of industry sales;
  2. The taxation revenues received from industry sales; and
  3. The number of workers employed in the liquor industry.

The cost of social ills emanating from alcohol abuse far outweighs the economic benefits derived from the liquor industry.

The challenges thus facing those tasked with addressing these challenges are immense, however it is a mountain that must be traversed as it impacts the lives of so many citizens of this beautiful Province.

Despite all these challenges the WCLA will continue to explore different possibilities including:

- A focused approach to enforcement to reduce non-compliance across the Province. A new approach to prosecutions introduced by the newly appointed component head where settlement agreements are being entered into, leads to more convictions being concluded with heftier fines being imposed.
- The stakeholder segmentation and mapping was completed in the year under review and will be updated annually.
- Potential partnerships have been identified. The Authority is exploring ways of obtaining leverage from these partnerships.
- Revamping of the Authority's website has commenced and the upgrades to the website will go live in the 2017/18 financial year. The website will be more user friendly and will be easier to navigate.
- Recent amendments to the Act also empower the Authority to issue administrative notices to illegal traders advising them to take immediate steps to apply for a liquor licence authorising them to sell liquor.
- Review and adjust our pricing/fee structure model so as to have an equitable application in terms of differentiating between the different types of liquor licences.
- Leverage the barriers to entry research report to explore further possible remedies.

All of the above initiatives implemented by the Authority have in some way contributed to the implementation of the programmes of the Alcohol Harms Reduction Game Changer.

## 2.2. Organisational Environment

The organisational structure has been designed to cater for the different deliverables as demanded by the legislation. Five components are currently in place to deal with the processing of applications, enforcement and compliance, communication, education and stakeholder relations and a Liquor Licencing Tribunal to adjudicate on licence applications. The support services consist of corporate and financial services.

### Liquor Licencing Administration

The Liquor Licencing Administration (LLA) component is responsible for the administration of all liquor licence applications to be considered by the Liquor Licencing Tribunal, issuing of licences and certificates as well as the renewal of all valid liquor licences in the Western Cape. In order to facilitate the entry of new liquor licence holders into the liquor industry, the application process and administering of applications requires a streamlined approach.

This component is constantly striving to find ways to streamline the application processes in order to process applications in the shortest time possible. It aims to improve its service delivery to its clients through process improvement initiatives.

### LMaTS enhancements

This project involves the enhancement of the WCLA's Licence Management and Tracking System (also referred to as LMaTS). This system has evolved from a system which merely served as a Correspondence Management and Tracking System (CMaTS) to a system which services the entire spectrum of the WCLA's business needs. The system now provides for:

- correspondence management relating to liquor applications and licences;
- licence issuing for all licence types;
- recording and tracking of financial transactions relating to licences and applications;
- file record keeping and management and also recording of all inspections conducted by the WCLA.

## Part B: Performance Information

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This enhancement project spans an approximate two-year period. The first phase of the project was completed during April 2016. The final phase is due for completion in August 2018. The project comprises different phases, each aimed at improving various processes and functions within the WCLA as a whole. This, in turn, will result in increased productivity and improved service delivery to all the stakeholders and clients of the WCLA.

### Scanning project

During the year under review a scanning project was implemented. It involves the use of specialised scanning software which is used to scan all applications, together with their supporting documents, into the Licence Management and Tracking System (LMaTS). This will enable staff to prepare applications electronically and allow the Liquor Licensing Tribunal (LLT) to consider these applications electronically, thus doing away with the paper-based method of processing and consideration of applications. This initiative will save time during the preparation and consideration of applications. It is initiatives like these that enable processes to operate more effectively and in a more time-efficient manner.

### SMS notifications and QR codes

An SMS system which is linked to LMaTS with reminders sent to both applicants and licensees was implemented in January 2017. SMS notifications are currently being sent to all new applicants confirming acknowledgement of receipt of their applications. SMS notifications will also be sent as reminders to licence holders who have failed to pay their renewal fees on or before 31 December 2016 reminding them of outstanding payments due.

A QR barcode on all licences and renewal certificates (certificate confirming the validity of the licence once the licence renewal fees have been paid) was implemented. This is used for scanning purposes by Liquor Inspectors whilst conducting their inspections and can also be used to download a summary of the relevant information about the respective licenced premises instantly. Licence holders can use this feature as a way of validating the authenticity of their renewal certificate.

## Liquor Licencing Tribunal

The Tribunal was established as the independent judiciary vested within the Western Cape Liquor Authority. Its function is to perform the judicial functions regarding the consideration and adjudication of any application for liquor licences as provided for in the Act. The Tribunal must exercise its functions according to the provisions of this Act, impartially and without fear, favour or prejudice.

In terms of the Act, the Liquor Licensing Tribunal is made up as follows:

- Presiding Officer;
- Deputy Presiding Officer;
- SAPS representative;
- SALGA representative; and
- Two citizens of the Republic, who permanently reside in the Province (Representatives from the Broader Public)

The composition and structure of the Tribunal was amended in the Western Cape Liquor Amendment Act 3 of 2015 promulgated on 14 August 2015. The amendments provide for additional positions on the Tribunal and will allow for the more efficient functioning of the Tribunal. The amendments will take effect as soon as the amendments of the Regulations have been signed by the Minister of Community Safety.

Extensive inputs were made in the drafting of the amendments to the Regulations related to the amendment of the Act. These included recommendations on the amendment of certain forms where discrepancies and shortcomings were identified. The Regulation amendments are expected to be finalised during the 2017/18 financial year.

During the year under review the term of the Presiding Officer came to an end on 18 November 2016 and a new Presiding Officer was appointed on 17 January 2017.

### Communication, Education and Stakeholder Relations

The Communication, Education and Stakeholder Relations component continued its programmes in reaching out to its stakeholders. Different communication channels were used. Education and infotainment sessions were rolled out to educate and to create awareness regarding liquor legislation and the effects of irresponsible liquor consumption.

The WCLA has segmented its stakeholders and developed a stakeholder communication plan in order to implement appropriate interventions using relevant channels to communicate with these stakeholders. During the year under review the Authority has engaged with:

- **Liquor Licence Holders**

During these sessions, liquor licence holders are educated on the enabling legislation, and discussions are also held on responsible trading. Promotional materials, which include an informative booklet (English, Afrikaans and Xhosa), as well as an application handbook, are handed out at these sessions.

- **Communities**

Outreach programmes to identified communities and areas, through door-to-door visits and community meetings were conducted. In some of these sessions industrial theatre (drama) is used to create awareness on the negative consequences of liquor abuse. These sessions were initiated to share relevant information such as the role of communities in the liquor licensing application process, to create awareness on the negative consequences of liquor abuse, and to answer questions of clarity for communities to help them understand liquor legislation.

- **Schools**

Engagements with schools using music and drama that highlight the negative effects of liquor abuse, as well as brief testimonies of young people with relevant success stories were conducted. Further engagements were held with learners in class and during school holiday programmes where relevant topics were presented.

- **New Applicants**

All new liquor licence applicants and managers are trained on the Western Cape Liquor Act and presented with a certificate of attendance before a liquor licence is issued.

- **Other Stakeholders:**

The Authority has continued its engagements with manufacturers, distributors, municipalities, liquor consultants as well as National and other Provincial Departments to discuss liquor related matters.

- **Media**

Fifteen radio interviews in English, Afrikaans and Xhosa were conducted during the 2016/2017 financial year targeting communities, youth, and licence holders. In some instances listeners were also afforded the opportunity to ask questions. The WCLA used these opportunities to educate, create awareness and to market the WCLA services and the contact centre. Accompanying this radio campaign, articles in local newspapers covering the WCLA services were published.

## Part B: Performance Information

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The Authority launched a “Be Conscious” campaign which is driven via the use of various platforms. The message is aimed at consumers to be conscious when they consume liquor, licence holders to be conscious when they sell liquor, and the youth to be conscious in making decisions regarding the use of liquor.

The Authority sponsored three different sports teams with t-shirts, caps and bags that carried the responsible consumption of liquor message printed on them.

The publication of a weekly newsletter “the News Flash” was introduced to keep staff up to date with relevant news regarding the Western Cape Liquor Authority and the liquor industry. A weekly publication instead of the quarterly newsletter keeps news relevant and fresh and staff can celebrate or be informed immediately about current news and events.

The Social and Education Fund was allocated a budget of R750 000 for the period under review to procure service providers to conduct industrial theatre shows for a festive season campaign, an Easter campaign and school visits. The Authority also embarked on 30-minute paid radio engagements and paid articles in local newspapers.

### Compliance and Enforcement

This component monitors and enforces compliance with the provisions of the Western Cape Liquor Act and licence conditions throughout the Province. Furthermore, the component serves as a visible compliance, monitoring and enforcement tool to create awareness of the role that the WCLA plays in liquor regulation.

Random routine pre-inspections and inspections are conducted as part of our compliance regime at licenced premises. The Component embarked on joint enforcement operations with SAPS and other law enforcement agencies. The Component continues to receive, process and investigate complaints from the members of the public and other stakeholders. Compliance notices are issued for less serious offences while the serious matters will be referred to the LLT for consideration in terms of section 20 of the Act.

Part of the mandate of the Component is to focus on the AHRGC areas in order to collect data on the number of illegal outlets as well as the distribution and consumption patterns of the area.

### Corporate Services

The Authority has successfully completed its organisational re-design project. The final report on this project, with recommendations, was submitted to the Governing Board and was subsequently approved. As per the requirement of the Act, the report has been submitted to the Ministers of Finance and Community Safety as part of the consultative process. The finalisation of this project will address the human capacity constraints as identified previously.

A Staff Retention Policy was developed and approved by the Governing Board. This policy had a significant impact which necessitated a review of the performance management system of the organisation. This was subsequently approved in the year under review.

The Records Management section of the Authority successfully embarked on its first ever disposal of case files. This was done in-line with the approved file plan which was endorsed by the Provincial Archives.

### 2.3. Key policy developments and legislative changes

Relevant policies and internal controls were reviewed and ultimately amended to better suit the business needs of the Western Cape Liquor Authority.

A second amendment bill, the Western Cape Liquor Amendment Act, Act 3 of 2015 was promulgated on 14 December 2015. This amendment act will take effect once the related regulation amendments are finalised and signed off by the relevant Minister. On 15 March 2016 the Premier enacted certain sections of the Amendment Act, Act 3 of 2015.

### 2.4. Strategic Outcome Oriented Goals

<b>Strategic Outcome Oriented Goal 1</b>	Optimal regulation of the retail sale and micro-manufacturing of liquor and a reduction in the negative social ills of liquor abuse in the Western Cape.
<b>Goal statement</b>	Promotion of an enabling environment that allows for the ease of entry into the regulated liquor trading space, meanwhile ensuring that all liquor licence holders stringently comply with the Western Cape Liquor Act 4 of 2008, whilst educating and creating awareness surrounding the negative social impact of liquor abuse as well as informing the community about the liquor licencing application public participation process.
<b>Progress towards achievement of goal</b>	The Authority has implemented various measures towards the achievement of the set Strategic Outcome Oriented Goals. These include the enhancement of the Authority's Licence Management and Tracking System that has enabled the Authority to streamline internal processes. A more focused approach to enforcement and compliance has been instituted to prioritise prosecutions. Continuous engagements, awareness and educational sessions enabled the Authority to effectively spread the message on the negative social ills of liquor abuse.

### 3. PERFORMANCE INFORMATION BY PROGRAMME

#### 3.1 Component 1: Liquor Licencing Administration

The purpose of the Liquor Licencing Administration component is to administer all liquor licence applications in the Western Cape for consideration by the Liquor Licencing Tribunal.

##### STRATEGIC OBJECTIVE

Component: Liquor Licencing Administration					
Strategic Objective	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of applications processed	2 968	2 250	3 645	1 395	This over-achievement is linked to the employment of process improvement initiatives as well as an increase in the number of applications.

##### PERFORMANCE INDICATORS

Component: Liquor Licencing Administration					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of applications received	3 950	2 750	4 653	1 903	The number of applications received is determined by the demand in the industry.
Number of licences issued	1 691	1 550	1 906	356	The number of licences issued is determined by the number of licences approved by the LLT.



### ANALYSIS OF PERFORMANCE INDICATORS

The Liquor Licensing Administration component achieved all the planned targets for the year.

Further activities achieved by this Component:

#### System enhancements

- SMS notification system for acknowledgment of receipt of new applications;
- QR code validation system introduced on all licences and renewal certificates for validation of authenticity; and
- Scanning project for the scanning of all applications for more efficient processing and consideration of applications.

#### Application administration

- Standard operating procedures in place for all application processes; and
- Checklists in place for all application types.

#### Automatic Renewals

- Renewal notices issued for all valid licences; and
- Renewal certificates issued for all renewed licences.

### LINKING PERFORMANCE WITH BUDGET

Component/activity/ objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Liquor Licence Administration	R8 297	R8 070	R 227	R8 034	R7 294	R740
<b>Total</b>	<b>R8 297</b>	<b>R8 070</b>	<b>R 227</b>	<b>R8 034</b>	<b>R7 294</b>	<b>R740</b>

## Part B: Performance Information

### 3.2 Component 2: Liquor Licencing Tribunal

This component is tasked with the responsibility of adjudicating liquor licence applications.

#### STRATEGIC OBJECTIVE

Component: Liquor Licencing Tribunal					
Strategic Objective	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of hearings for non-compliance concluded	23	20	21	1	This over-achievement is due to more time available for hearings than anticipated.

### PERFORMANCE INDICATOR

Component: Liquor Licencing Tribunal					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of section 36 liquor licence applications considered	937	780	1 191	411	This over-achievement is due to the higher number of applications received than anticipated.
Number of secondary liquor licence applications considered	1 604	800	2 236	1 436	This over-achievement is due to a change in the method of calculating these types of applications.*
Number of event liquor licence applications considered	1 189	900	1 271	371	The number of special event licence applications exceeded the number of applications anticipated.
Number of temporary liquor licence applications considered	277	300	286	(14)	This under-achievement is due to fewer than expected applications being received.

\* Previously all licence applications were accounted for under Section 36 as a single application. Going forward we also reflecting the number of secondary applications considered in the main application separately. The annual figure as per the 2016/17 APP will be significantly adjusted to reflect the correct number of secondary applications considered in the 2017/18 APP.

## Part B: Performance Information

### ANALYSIS OF PERFORMANCE INDICATORS

The outcomes of applications considered will include applications approved, applications conditionally approved, applications rejected for various reasons and applications postponed for further information.

### STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The Component under-achieved on the indicator dealing with the “Number of temporary liquor licence applications considered”. This was as a result of fewer than expected applications being received. A change in the approach was implemented allowing temporary licences on premises where there are pending permanent licence applications.

### LINKING PERFORMANCE WITH BUDGET

Component/activity/ objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Liquor Licencing Tribunal	R2 688	R2 694	(R6)	R2 038	R2 030	R8
<b>Total</b>	<b>R2 688</b>	<b>R2 694</b>	<b>(R6)</b>	<b>R2 038</b>	<b>R2 030</b>	<b>R8</b>

### 3.3 Component 3: Communication, Education and Stakeholder Relations

The purpose of this component is to provide a communication, marketing, education and awareness service for and on behalf of the Western Cape Liquor Authority.

#### STRATEGIC OBJECTIVE

Component: Communication, Education and Stakeholder Relations					
Strategic Objective	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Percentage of the social and education fund budget spent or contractually committed annually	99.89%	85%	93.68%	8.68%	The over-achievement is directly linked to improved budget and demand planning.

#### PERFORMANCE INDICATOR

Component: Communication, Education and Stakeholder Relations					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of awareness interventions conducted	169	180	243	63	There was a greater demand for engagements with liquor licence holders, communities and schools.
Number of persons reached through an awareness intervention	6 859	6 500	12 041	5 541	The over-achievement on this indicator is directly linked to the above mentioned greater demand for engagements.
Number of social responsibility programmes conducted	1	1	1	-	

## Part B: Performance Information

### ANALYSIS OF PERFORMANCE INDICATORS

The Communication, Education and Stakeholder Relations component achieved all the planned targets for the year as set out in the Annual Performance Plan.

#### Number of awareness sessions conducted:

A number of awareness interventions conducted included interventions with the following stakeholders:

- **Liquor Licence Holders** – Training and information sessions with liquor licence holders were rolled out across the Province in partnership with the South African Police Service.
- **Communities** – Awareness sessions with communities were rolled out across the Province.
- **Schools** – Awareness sessions with schools were rolled out across the Province.
- **New applicants** – All new liquor licence applicants and managers who applied during the year under review were trained on the Western Cape Liquor Act and presented with a certificate of attendance before a liquor licence was issued.
- **Liquor consultants** – An engagement was held with liquor consultants.
- **Neighbourhood watch** – Training and information sessions were held with neighbourhood watches.
- **Community Police Forums** – Information sessions were held with Community Police Forums.
- **Municipalities and government departments** – Meetings were held with municipalities and government departments.

#### Number of persons reached through an awareness intervention:

At each intervention session, an attendance register was passed around for attendees to complete and was used to keep record of the attendance at the interventions.

#### Number of social responsibility Programmes conducted:

As part of the Social Responsibility programmes conducted, we engaged with 10 schools using industrial theatre. A3 posters were handed out to teachers that address the message of positive thinking and how learners have endless opportunities. The poster further addresses the fact that the choices you make today will have an impact on your future. Teenager and alcohol booklets that deal with the effect of alcohol used by teenagers are also distributed. This programme was warmly welcomed by schools.

The WCLA conducted 15 radio interviews. During these interviews the Authority informed the public about the “Be Conscious” campaign. Listeners were advised to be conscious when consuming alcohol. Liquor licence holders were advised to be conscious when trading in alcohol. This opportunity was also used to educate communities regarding liquor regulations.

### LINKING PERFORMANCE WITH BUDGET

	2016/2017			2015/2016		
Component/activity/objective	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Communication, Education and Stakeholder Relations	R3 618	R3 570	R47	R3 946	R3 456	R490
<b>Total</b>	<b>R3 618</b>	<b>R3 570</b>	<b>R47</b>	<b>R3 946</b>	<b>R3 456</b>	<b>R490</b>

### 3.4 Component 4: Compliance and Enforcement

The purpose of this component is to monitor and enforce compliance with all applicable liquor legislation within the Western Cape.

#### STRATEGIC OBJECTIVE

Component: Compliance and Enforcement					
Strategic Objective	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of enrolled hearings for non-compliant licenced outlets.	23	20	29	9	This over-achievement is due to a new approach in terms of dealing with non-compliant licenced outlets.

#### PERFORMANCE INDICATOR

Component: Compliance and Enforcement					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Number of inspections conducted	4 330	4 100	4 421	321	The over-achievement is as a result of a more focused approach to inspections.*
Number of compliance notices issued	623	475	740	265	The over-achievement is as a result of a more focused approach to non-compliance.
Number of enforcement operations conducted	-	20	69	49	The over-achievement is as a direct result of improved co-ordination with major role-players.

\* More focus was placed on problem premises in order to have more sanctions imposed through the LLT.

## Part B: Performance Information

### ANALYSIS OF PERFORMANCE INFORMATION

It is envisaged that once the Amendment Act comes into effect the additional positions created on the Tribunal will assist in bringing more non-compliant licence holders before the Tribunal. The outcomes of non-compliance hearings include licences revoked, suspended, fines and new conditions. Suspensions only get lifted once the conditions have been met. The indicators have been amended for the 2017/2018 financial year to include the number of Section 73 reports submitted. With the implementation of the Section 20 settlement process, it is expected that the WCLA will make a greater impact on irresponsible trading. The settlement process will allow licensees to pay fines in cases where they admit to the relevant contraventions and these matters will merely be confirmed by the LLT without having to conduct formal hearings.

The number of inspections for the new financial year will be reduced due to the focus being changed to allow for more investigations to be conducted against problem licenced outlets.

The Compliance and Enforcement component did not have much control over the number of enrolled hearings due to the dates being determined by the LLT. This indicator has therefore been amended to monitor the number of Section 73 reports submitted.

The joint provincial enforcement operations between the WCLA, SAPS Law Enforcement and other stakeholders partly contributed to the over-achievement in the number of inspections and compliance notices. The general public is more aware of the complaints procedure at the WCLA. This resulted in more inspections and, in some cases, compliance notices being issued.

### LINKING PERFORMANCE WITH BUDGET

Component/activity/ objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compliance and Enforcement	R5 362	R5 248	R113	R4 499	R4 503	(R4)
<b>Total</b>	<b>R5 362</b>	<b>R5 248</b>	<b>R113</b>	<b>R4 499</b>	<b>R4 503</b>	<b>(R4)</b>



### 3.5 Component 5: Corporate Services

Provide strategic direction and ensure quality financial and other operational support services to the Governing Board and Authority.

The core functions of this component include the following areas:

- Human Resource Management;
- Corporate Administration;
- Supply Chain Management; and
- Financial Management.

#### STRATEGIC OBJECTIVE

Component: Corporate Services					
Strategic Objective	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Percentage of the approved budget (operational and capital) spent or contractually committed annually	94.58%	85%	97.37%	12.37%	The over-achievement is directly linked to improved budget and demand planning.

#### PERFORMANCE INDICATOR

Component: Corporate Services					
Performance Indicator	Actual Achievement 2015/2016	Planned Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Submit in-year monitoring reports to Provincial Treasury	4	4	4	-	

## Part B: Performance Information

### ANALYSIS OF PERFORMANCE INFORMATION

The Corporate Services component achieved all the planned targets for the year.

Further activities that have been achieved on by this component:

#### Performance Management System

- Final performance appraisals were conducted and finalised for the 2016/17 financial year;
- Performance bonuses were paid to qualifying employees;
- Performance agreements were concluded for all staff members for the 2016/17 financial year; and
- Half-yearly performance reviews were done for all staff members.

#### Employee Wellness and Assistance Programme

- Heritage Day celebrations were held at WCLA offices for staff members;
- WCLA participated in the annual Nelson Mandela Day activities; and
- A Wellness Day was held where voluntary cholesterol and diabetes testing was conducted.

#### Skills development

- Bursaries to the value of R80 064 were paid out for six staff members in 2016/17; and
- SCM/ Bid Committee Members training was conducted in March 2017.

#### Supply Chain Management

- All Bid and Asset Disposal Committee Members were duly appointed in 2016/17;
- An updated contract register was put in place;
- Circulars were developed to guide end-users; and
- Standard operating procedures were updated and workshopped with staff.

#### Revenue

- Revenue received from licence applications was processed monthly and paid over to DOCS.

### LINKING PERFORMANCE WITH BUDGET

	2016/2017			2015/2016		
Component/activity/ objective	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Corporate Services	R24 220	R23 217	R1 003	R19 283	R17 910	R1 373
<b>Total</b>	<b>R24 220</b>	<b>R23 217</b>	<b>R1 003</b>	<b>R19 283</b>	<b>R17 910</b>	<b>R1 373</b>

## 4. REVENUE COLLECTION

	2016/2017			2015/2016		
Sources of revenue	Estimate	Actual Amount Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/ Under Collection
		R'000	R'000		R'000	R'000
Licence issuing fee	R500	R1 530	(R1 030)	R500	R64	R436
Licence fee temp & special	R900	R777	R123	R900	R525	R375
Auto renewal	R24 000	R24 976	(R976)	R24 000	R25 642	(R1 642)
Transfer of licensee	R150	R212	(R62)	R150	R321	(R171)
Application fee temp & special	R300	R407	(R107)	R300	R399	(R99)
<b>Total</b>	<b>R25 850</b>	<b>R27 902</b>	<b>(R2 052)</b>	<b>R25 850</b>	<b>R26 951</b>	<b>(R1 101)</b>

The Authority receives funding from Treasury via the Department of Community Safety for its day-to-day operations and service delivery. The Authority received funding to the value of R35, 517 million in the main budget. A further R4, 073 million was rolled over and R1, 067 cash surplus retained from the 2015/16 financial year. The entity also received additional funding of R499 072 for the appointment of an inspector and the procurement of vehicles.

In terms of the Western Cape Liquor Act, 2008 (Act 4/2008) as amended and GRAP principles, the Authority acts as an agent to the Provincial Revenue Fund. All monies collected in the form of licence fees for temporary and special event licences, licence renewal fees, transfer of licences and licence issuing fees are paid over to the Provincial Revenue Fund via the Department of Community Safety. The Department set a revenue target amount of R28, 43 million as part of its budgeting process for the Authority. Up until the 31st of March 2017 the Authority paid over an amount of R27, 96 million to the Provincial Revenue Fund. The balance of R797 290 generated in 2016/17 will be paid over in 2017/18.

The slight over-collection on revenue is linked to the increase in the number of applications and collection of automatic renewal fees. The increase in the number of applications is outside of the control of the Authority and is solely based on the demand as per applicants.

In order to ensure that the Authority achieves on its "revenue" targets for the financial year, the Authority continued to improve processes in the Revenue Section to enable the speedy allocation of payments to licence holders. More effort was also put in to clear suspense account entries.

## Part B: Performance Information

### 4.1. Capital investment

The planned enhancements of the financial and licencing system for the financial year under review were successfully completed. The licencing system is known as the Licencing Management and Tracking System (LMaTS). Further enhancements to the LMaTS are underway and will follow a similar implementation strategy as the initial enhancement project (referred to as an agile project approach). This project is due for finalisation in August 2018.

The Authority has successfully migrated onto its own independent IT Infrastructure and is technically supported by the State Information Technology Agency (SITA).

95% of the Authority's assets are in a good condition and 5 % are in a fair condition. The Authority also disposed of assets that had reached their useful life expectancy in accordance with the depreciation schedule as set in the asset register or as and when required. Maintenance of all Authority assets takes place on an as and when required basis. The asset register is updated when new assets are purchased or disposed of.

The Authority had no reports of theft relating to assets during the year under review. Greater focus has been placed on safeguarding and safe keeping of assets.

The Western Cape Liquor Authority does not invest in infrastructure capital projects as it is a service geared entity. The IT infrastructure contracts have provision for any maintenance that could be required.

	2016/2017			2015/2016		
Sources of revenue	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
LMaTS	R2 135	R736	R1 399	R 725	R 723	R 2
IT Infrastructure	-	-	-	R2 899	R1 907	R 992
Website	-	-	-	R 385	R 385	-
Office Modernisation	-	-	-	R6 662	R6 662	-
<b>Total</b>	<b>R2 135</b>	<b>R736</b>	<b>R1 399</b>	<b>R10 671</b>	<b>R9 677</b>	<b>R 994</b>

# **PART C:** GOVERNANCE

### 1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

### 2. PORTFOLIO COMMITTEES

In respect of the year under review the Governing Board of the Authority has established three sub-committees. These sub-committees are identified as follows:

- Operations Committee;
- Compliance, Finance, HR and IT Committee; and
- Social Committee.
- LLT Committee

These committees meet prior to the quarterly Governing Board meetings where they report back on challenges as well as significant strides made in terms of achieving objectives in respect of the mandates of the said sub-committees.

### 3. EXECUTIVE AUTHORITY

The Executive Authority performs its oversight on the WCLA as prescribed by the PFMA. As set out in the Act the Executive Authority has the power to appoint and dismiss the members of the Governing Board. As required by the PFMA, the WCLA reports to the Executive Authority on a quarterly basis. Feedback is provided on quarterly financial and non-financial performance as well as the general wellbeing of the Authority.

### 4. THE ACCOUNTING AUTHORITY / BOARD

The Western Cape Liquor Authority must regulate the micro-manufacturing and the retail sale of liquor in the Province. The Governing Board of the Western Cape Liquor Authority must oversee the regulation of the Western Cape Liquor Authority.

The Governing Board of the Authority must ensure the implementation of the Western Cape Liquor Act and must manage the business of the Authority. The Governing Board is responsible for policy, control, strategy direction, leadership, accountability, probity and transparency in respect of all aspects, the conduct of the business of the Western Cape Liquor Authority, ensuring sufficient budget and other resources and the establishment and functioning of the Social and Education Fund.

The fiduciary responsibilities of the Board are as follows:

- Has the powers and functions conferred or imposed on it by this Act;
- Must manage the business of the Authority;
- May exercise the powers and must perform the duties conferred or imposed on the Authority by this Act or any other law, excluding powers or duties conferred or imposed specifically on the Liquor Licencing Tribunal; and
- May appoint committees consisting of members of the Board.

The members of the Board and its committees jointly and severally derive their fiduciary responsibilities from the provisions of the Western Cape Liquor Act (4 of 2008), as amended, the PFMA, its charter and the terms of reference of its various committees of the Board.

# Composition of the Board

Name	Designation (in terms of the Public Entity Board Structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee/ Ministerial task team)	No. of Meetings attended
Michael Jones	Chairperson	12/03/15	N/A	B Tech Marketing Honours	Finance, Governance and General Management	Michael Jones Consultancy	N/A	15
Underé Deglon	Member	16/01/17	N/A	MA (Research Psychology), SocSC (Honours Psychology), DipEd, BA	Governance, HR and Finance	Western Cape Gambling and Racing Board, Council of the Cape Peninsula University of Technology		2
André Du Plessis	Member	12/03/15	N/A	B. Proc, CD/ACDS, CeDR, NQF5 (Property)	Governance and Administration	Member ACDS and Member CeDR	OPS Comm, LLT Comm	15
Julia Modise	Member	12/03/15	N/A	MA (Clinical Social Work), BA Social Work, BA (Hons Sociology)	Governance and HR	National Disaster Relief Fund	Comp, Fin, HR & IT Comm	15
Hendri Terblanche	Member	12/03/15	N/A	BA Accountancy	Governance, Finance and Compliance	Karl Bremmer Hospital Health Facility Board, Chairperson of Eversdal Rate Payers' Association, Ward 21 Committee	Audit Comm, Comp, Fin, HR & IT Comm	15
Rev. Phillip Philander	Member	12/03/15	N/A	B. Theology	Social Fund	Goodwood/Malmesbury Parole Boards, Kensington Haven Night Shelter, Kensington Ministers' Fraternal	SOC Comm	15
Ina Du Bruyn	Member	16/01/17	N/A	Professional Business Coaching	Governance, HR and Finance	Stellenbosch Museum (Board of Trustees), Paarl Museum (Board of Trustees), Department of Transport, NPTR		2
Ludick Sass	Member	12/03/15	08/08/16	B.luris	Compliance and Governance	Chairperson of Tygerberg Association for Street People (TASP)	OPS Comm	4
Clint Alexander	Deputy Chairperson	12/03/15	01/08/16	Diploma in Sales and Marketing	Governance and Communication	N/A	SOC Comm	3



### Governing Board and Committee meetings

Committee	No. of Meetings held	No. of Members	Name of Members
Governing Board	15	7	Michael Jones, Underé Deglon, André Du Plessis, Julia Modise, Hendri Terblanche, Phillip Philander, Ina Du Bruyn, Ludick Sass, Clint Alexander
Other*	47	Various	Michael Jones, Underé Deglon, André Du Plessis, Julia Modise, Hendri Terblanche, Phillip Philander, Ina Du Bruyn, Ludick Sass, Clint Alexander
OPS Committee & LLT Committee	5	2	Andre Du Plessis, Ludick Sass
Finance, HR, IT and Compliance Committee	5	2	Hendri Terblanche, Julia Modise
Social Fund Committee	4	2	Clint Alexander, Phillip Philander

\*Other meetings refer to meetings where members of the Governing Board, for example, met with Stakeholders, attended meetings with the Minister and any other engagement attended by Board members as a collective or individually. The table below indicates the number of other meetings attended by individual Board members

### Other Meetings attended

Name of Member	No. of other Meetings Attended
Michael Jones	47
Underé Deglon	1
André Du Plessis	17
Julia Modise	12
Hendri Terblanche	19
Phillip Philander	12
Ina Du Bruyn	1
Clint Alexander	3

## Part C: Governance

### Remuneration of board members

The evaluation process has taken place and the Governing Board was categorised at a B2 level. Payments per hour and day rate will be as follows:

Sub-category B2	R.p.d	R.p.h
Chairperson	R3 493	R 437
Deputy Chairperson	R2 460	R 308
Member	R2 140	R 268

Name	Remuneration	Other allowance	Other re-imbursements	Total
Michael Jones	R127 120	R11 167	-	R138 287
Underé Deglon	R8 281	R1 651	-	R9 932
André Du Plessis	R50 356	R10 169	-	R60 525
Julia Modise	R47 073	R2 325	-	R49 398
Hendri Terblanche	R48 234	R1 714	-	R49 948
Phillip Philander	R46 135	R2 456	-	R48 591
Ina Du Bruyn	R5 821	R 558	-	R6 379
Ludick Sass	R10 700	R7 420	-	R18 120
Clint Alexander	R10 422	R 668	-	R11 090

## 5. RISK MANAGEMENT

Risk and Risk Management is dynamic and is therefore continuously monitored and adjusted by risk owners within the organisation. It is important that risks are addressed by implementing appropriate controls as soon as they become evident within the organisation. Risk Management meetings are held quarterly to discuss and address any risk that may have become relevant in-between meetings. Controls are then assessed and evaluated to ensure they will mitigate the risk to prevent major impact on the operations of the organisation.

## 6. INTERNAL CONTROL UNIT

The Western Cape Liquor Authority does not have an internal control unit.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

The Authority does not have the capacity to provide an internal control function. This service is provided by an external service provider SizweNtsalubaGobodo (SNG). The internal audit plan is informed by the risk management plan. The Internal Audit Plan is approved by the Audit and Risk Committee of the Authority and the internal audit service provider operates in terms of the internal audit plan.

The internal audit service provider is appointed on a three-year cycle. To date they have performed internal audits on the following functions:

- Liquor Licencing Administration;
- Compliance and Enforcement;
- Human Resource Management;
- IT;
- SCM and Assets;
- Pre-determined objectives; and
- Communication.

The Audit and Risk Committee of the Authority met once a quarter to review the internal audit reports and to benchmark the activities of the internal audits against the Internal Audit Plan. The Audit and Risk Committee takes note of the risk register and how it aligns to the internal audit plan.

The table below discloses relevant information on the audit committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ethel Hamman	CA(SA); PGDA	External	-	1 April 2013	-	5
Hendri Terblanche	BA Accountancy	Internal	Board member	1 April 2015	-	5
Rozan Jaftha	CA(SA); CIA	External	-	1 June 2014	-	5

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

The entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters, save for those identified in the Audit Report.

## 9. FRAUD AND CORRUPTION

The Authority echoes the stance of the Province in terms of fraud and corruption. Every effort is made to minimise the occurrence of potential fraudulent activities. Fraud and corruption prevention forms an integral focus area of the risk assessment.

The Authority has adopted and implemented its own fraud policy. Management and staff are responsible for the detection and prevention of fraud, misappropriations, and other irregularities.

## 10. MINIMISING CONFLICT OF INTEREST

## Part C: Governance

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On an annual basis and at all meetings, all staff and Board members are required to complete the declaration of interest forms.

For the 16/17 financial year, no conflict of interest was identified.

### 11. CODE OF CONDUCT

The Western Cape Liquor Authority Board members and its employees adhere to the guidelines as stipulated in the Code of Conduct. The Code of Conduct guides the employees and Board members of the Authority in terms of the manner in which the aforesaid parties represent themselves, both internally and externally. Breach of the Code of Conduct by the employees and/or Board members is viewed as a serious offence and will be dealt with according to the disciplinary proceedings of the Authority.

### 12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Authority has established an Occupational Health and Safety Committee (“Committee”) in accordance with the Occupational Health and Safety Act 85 of 1993 to manage occupational health and safety (“OHS”) issues in the workplace. All members of the Committee have been appointed and received training to execute their duties as required by the OHS Act.

### 13. COMPANY/BOARD SECRETARY (IF APPLICABLE)

N/A

### 14. SOCIAL RESPONSIBILITY

The Authority supports the Mandela Day initiative and visits different NPO’s and NGO’s on an annual basis. The staff of the Authority makes every effort possible to ensure that the identified NPO or NGO is provided with items and services that will benefit those organisations.

### 15. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

#### **Audit Committee Responsibility**

The Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act and Treasury Regulation 27.1. The Committee reports that it has adopted appropriate formal terms of reference as approved by the Governing Board of the Authority as its Charter. The Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. It does not assume the function of management; it acts in an advisory and oversight capacity; it does not relieve management of its responsibilities but makes objective and independent recommendations.

#### **The Effectiveness of Internal Control**

The Committee has considered the reports received from the Internal Audit on the Authority's system of internal controls. Management action plans in response to the weaknesses identified have been assessed and the Committee is pleased that the actions plans have been implemented with the exception of two items which are still in progress.

The Authority's system of internal controls has improved in the period under review. The few findings identified by Internal Auditors were addressed satisfactorily by management. The Committee is satisfied that the controls implemented mitigate risks identified by management and auditors.

We have reviewed and concur with management's acceptance of the AGSA's management report.

The matters raised by the Auditor General in the 2015/16 financial year are being addressed by the management of the Authority.

We can confirm that there are no unresolved issues.

#### **In-Year Management and Monthly/Quarterly Report**

The Committee has extensively reviewed quarterly financial and performance reporting, together with findings from the Auditor General and Internal Audit. These findings have been discussed with management and actioned. Based on the processes and assurances obtained, the committee believes that the significant internal controls are generally effective and that accounting practices are appropriate. The Committee is satisfied with the quality of management and quarterly reports prepared and issued by the Authority during the period under review.

#### **Governance of Risk**

The Committee is responsible for the oversight of the risk management process.

The Committee considered the risk management plan, the risk register and the updates thereto on a quarterly basis.

### **Auditor-General's Report**

The Audit Committee concurs and accepts the opinion of the AGSA on the annual financial statements and is of the view that the unqualified audited annual financial statements be accepted and read together with the report of the AGSA.

### **Evaluation of Financial Statements**

The Committee has reviewed the Authority's financial statements prior to its submission to the Auditor General and made a recommendation for the Board's approval.

The Audit Committee has reviewed the AGSA's audit and the management report as well as management's responses thereto; and reviewed the adjustments resulting from the audit thereof. The Audit Committee accepts the conclusions, and is satisfied that the shortcomings raised were remedied.

### **Appreciation**

The Committee wishes to express its appreciation to the Management of the Authority, the internal auditors and the Auditor General for the co-operation and information they have provided to enable the compilation of this report.



**Ethel Hamman**  
**Chairperson of the Audit Committee**  
**Western Cape Liquor Authority**  
Date 31 July 2017

# **PART D:** HUMAN RESOURCE MANAGEMENT

### 1. INTRODUCTION

There are developed and approved Human Resource policies within which the WCLA operates. All activities and the implementation of Human Resources are guided and implemented within the framework of these policies.

At the beginning of the 2016/17 financial year, staff members entered into performance agreement contracts with the organisation. These contracts were signed by both employee and the immediate supervisor. Two assessment sessions of performance were concluded in the 2016/17 financial year.

The Authority invested in its human capital through induction programmes as well as training and development courses to ensure that employees are better equipped.

Regarding recruitment, most of the funded vacancies were filled at the end of the financial year. HR policies were reviewed, amended and approved by the Governing Board. These were communicated to all employees. The Authority has also successfully navigated its first Employment Equity review conducted by the Department of Labour.

The Authority continued with its Employee Wellness Days which focus on employee wellbeing including the emotional, physical and financial health of employees. Staff recreational activities, such as a Mandela Day charity event and Heritage Day celebrations in which staff were involved, were a great success to the Authority. Staff Strategic Session was held in December 2016 to educate staff on the mission, vision and strategic objectives of the Authority. The goals that need to be reached within the Authority and the overall moral boosting of the organisation were focused upon. Lastly, a year end function for all staff was organised to thank them for their hard work and commitment.

The following internal HR committees have been established to comply with relevant Acts:

- Employment Equity Committee;
- Health and Safety Committee; and
- Training and Bursary Committee.

These committees are made up of employees within the Authority.

Challenges faced by the Authority in terms of human resources are mentioned below but not limited to:

- An organisational structure fit to assist the Authority in achieving its mandate;
- Employee benefits; and
- Training and development budget for further education.

The focus of HR for the coming financial year will be to address the challenges faced by the Authority. The future plans for the Authority are geared towards making the Western Cape Liquor Authority an employee of choice. These plans are listed below, but are not limited to:

- Competitive remuneration and benefits to ensure the WCLA is an employer of choice;
- Investing in human capital and technology (ICT Plan, staff development etc.);
- Create a working environment conducive to efficiency and productivity; and
- Continuous benchmarking, monitoring and evaluation.



## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

### Personnel Cost by programme/activity/objective

Programme/ activity/ objective	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Communication, Education and Stakeholder Relations	R20 244	R2 091	10.33%	4	R523
Compliance and Enforcement	R20 244	R4 786	23.64%	12	R399
Liquor Licencing Administration	R20 244	R5 207	25.72%	15	R347
Corporate Services	R20 244	R8 160	40.30%	20	R408

### Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	R899	4.44%	1	R899
Senior Management	R2 988	14.76%	5	R598
Professional qualified	R6 492	32.07%	15	R433
Skilled	R8 579	42.38%	26	R330
Semi-skilled	R1 286	6.35%	4	R322
<b>TOTAL</b>	<b>R20 244</b>	<b>100%</b>	<b>51</b>	<b>R2 582</b>

## Part D: Human Resource Management

### Performance Rewards

Programme/ activity/ objective	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	-	-	-
Senior Management	4	R60	20.07%
Professional qualified	13	R133	44.48%
Skilled	12	R97	32.44%
Semi-skilled	2	R9	3.01%
Unskilled	-	-	-
<b>TOTAL</b>	<b>31</b>	<b>R299</b>	<b>100%</b>

### Training Costs

Programme/ activity/ objective	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of Personnel Cost.	No. of employees trained	Avg. training cost per employee
Communication, Education and Stakeholder Relations	R20 244	R 5*	0.02%	1	R5
Compliance and Enforcement	R20 244	R 5*	0.02%	1	R5
Liquor Licencing Administration	R20 244	-	-	-	-
Liquor Licencing Tribunal	-	-	-	-	-
Corporate Services	R20 244	R189**	0.93%	76	R2

The total training costs is inclusive of bursaries paid out for staff members as well.

\* This amount represents an amount paid out to 2 staff members (in the different components) for bursaries

\*\* This figure represents the amount that was paid for members of staff (within various components) for training on Supply chain, HR, Employment Equity, Disability Awareness and training on the Occupational Health and Safety Act.

### Employment and vacancies

Programme/ activity/ objective	2015/2016 No. of employees	2016/2017 Approved posts	2016/2017 No. of employees	2016/2017 Vacancies	% of vacancies
Communication, Education and Stakeholder Relations	5	4*	4	-	-
Compliance and Enforcement	11	12**	12	-	-
Liquor Licencing Administration	13	15***	15	-	-
Liquor Licencing Tribunal	4	4	4	-	-
Corporate Services	19	20	20	-	-

\* One of the position within the Communication, Education and Stakeholder Relations component was transferred to the Liquor Licencing Administration component in the 16/17 financial year.

\*\* A contract position for an inspector was filled in the Compliance and Enforcement component within the 16/17 financial year

\*\*\*Besides the move of a staff member from the Communication, Education and Stakeholder Relations the Liquor Licencing Administration component appointed another receptionist in the 16/17 financial year

Programme/ activity/ objective	2015/2016 No. of employees	2016/2017 Approved posts	2016/2017 No. of employees	2016/2017 Vacancies	% of vacancies
Top Management	1	1	1	-	-
Senior Management	4	5	5	-	-
Professional qualified	15	15	15	-	-
Skilled	24	26	26	-	-
Semi-skilled	4	4	4	-	-
Unskilled	-	-	-	-	-
<b>TOTAL</b>	<b>48</b>	<b>51</b>	<b>51</b>	<b>-</b>	<b>-</b>

## Part D: Human Resource Management

The filling of vacancies is a tedious process. All advertising of positions is currently done in Die Burger and the Weekend Argus. The high volumes of applications received per post have led to the Authority appointing a response handling service provider. This has significantly reduced the turnaround times for the filling of vacant positions as the service provider has strict deadlines that have to be met in terms of the contract signed between the two parties.

### Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	-	-	1
Senior Management	4	1	1	5
Professional qualified	15	2	2	15
Skilled	24	2	1	26
Semi-skilled	4	4	-	4
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>48</b>	<b>9</b>	<b>4</b>	<b>51</b>

### Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	3	1.53% (51)
Dismissal	-	-
Retirement	-	-
Ill health	-	-
Expiry of contract	1	0.51%(51)
Other	-	-
<b>TOTAL</b>	<b>4</b>	<b>2.04% (51)</b>

Exit interviews are held with all permanent staff who resign. Staff members resigned because of the following reasons:

1. Salaries not being competitive; and
2. Flat organisational structure – no potential for growth.

As soon as a resignation is received, the necessary documentation is completed and sent to the Human Resource section for advertisement.

### Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	-
Final Written warning	-
Dismissal	-

### Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0.2	-	0.3	-	-	-	0.1
Senior Management	-	0.9	2	1.4	-	-	1	0.5
Professional qualified	2	2.4	3	3.8	1	0.1	3	1.3
Skilled	3	4.4	5	7.0	1	0.2	2	2.4
Semi-skilled	0	0.7	1	1.1	-	-	-	0.4
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>6</b>	<b>8.6</b>	<b>11</b>	<b>13.6</b>	<b>2</b>	<b>0.3</b>	<b>6</b>	<b>4.7</b>

## Part D: Human Resource Management

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	-	0.1	-	0.2	-	-	-	0.1
Senior Management	1	0.7	1	1.2	-	-	-	0.4
Professional qualified	2	2.0	4	3.2	-	-	-	1.1
Skilled	5	3.8	7	6.0	-	0.1	3	2.0
Semi-skilled	1	0.6	2	0.9	-	-	-	0.3
Unskilled	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>9</b>	<b>7.2</b>	<b>14</b>	<b>11.5</b>	<b>-</b>	<b>0.1</b>	<b>3</b>	<b>3.9</b>

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	-	-	-	-
Senior Management	-	-	-	-
Professional qualified	-	-	-	-
Skilled	-	-	-	-
Semi-skilled	-	-	-	-
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# **PART E**

# FINANCIAL INFORMATION

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### 1. REPORT OF THE EXTERNAL AUDITOR

#### Report of the auditor-general to the Western Cape Provincial Parliament on Western Cape Liquor Authority

##### Report on the audit of the financial statements

##### Opinion

1. I have audited the financial statements of the Western Cape Liquor Authority set out on pages 61 to 113, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Western Cape Liquor Authority as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) the requirements of the Public Finance Management Act of South Africa 1999 (Act No.1 of 1999) (PFMA) and the Western Cape Liquor Act, 2008 (Act No.4 of 2008)(Western Cape Liquor Act).

##### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

##### Material underspending of the budget

7. As disclosed in the statement of comparison of budget and actual amounts and note 42 to the annual financial statement, the entity has materially underspent the capital budget to the amount of R1,9 million (2015-16: R3 million).

##### Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and the Western Cape Liquor Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



### Western Cape Liquor Authority

#### Financial Statements for the year ended 31 March 2017

9. In preparing the financial statements, the accounting authority is responsible for assessing the Western Cape Liquor Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

#### Auditor-general's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this report.

### Report on the audit of the annual performance report

#### Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

Objectives	Pages in the annual performance report
Objective 1 – Liquor Licencing Administration	22 – 23
Objective 2 – Liquor Licencing Tribunal	24 – 26
Objective 3 – Communication, Education and Stakeholder Relations	27 – 28
Objective 4 – Compliance and Enforcement	29 – 30

## Part E: Financial Information

### Western Cape Liquor Authority

#### Financial Statements for the year ended 31 March 2017

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
- Objective 1 – Liquor Licencing Administration.
  - Objective 2 – Liquor Licencing Tribunal.
  - Objective 3 – Communication, Education and Stakeholder Relations.
  - Objective 4 – Compliance and Enforcement.

#### Other matters

17. I draw attention to the matters below.

#### Achievement of planned targets

18. Refer to the annual performance report on pages 22 to 30 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

#### Unaudited supplementary information

19. The supplementary information set out on pages 16 to 21 and 31 to 34 does not form part of the annual performance report and is presented as additional information. I have not audited this information and, accordingly, I do not report on them.

### Report on audit of compliance with legislation

#### Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. I did not identify any instances of material non-compliance in respect of the compliance criteria for the applicable subject matters.

#### Other information

22. The Western Cape Liquor Authority's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the auditor's report.
23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

### Western Cape Liquor Authority

#### Financial Statements for the year ended 31 March 2017

24. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

#### Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

#### Other reports

26. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

#### Investigations in progress

27. The Western Cape Liquor Authority certified that there were two (2) cases on hand as at 31 March 2017 being investigated. The first case is being investigated by an independent consultant relating to an allegation into the irregularities relating to the refurbishment and fitting out of the leased building of the public entity, which occurred during the 2015-16 financial year. The investigation is not yet finalised.
28. The second case relates to an allegation on the irregularities relating to the appointment of a service provider for organisational design, which occurred during the 2015-16 financial year. The investigation has been requested by the National Treasury as a process of condonation of the alleged irregular expenditure. This case has not yet started.
29. The date for finalising and concluding on these investigations is not yet known. Both cases were identified as audit findings in the 2015-16 financial year.

*Auditor General*

Auditor-General  
Cape Town  
31 July 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Annexure – auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity’s compliance with respect to the selected subject matters.

#### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the governing board, which constitutes the accounting authority.
  - conclude on the appropriateness of the governing board, which constitutes the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Western Cape Liquor Authority ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a public entity to cease operating as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Provincial Public Entity established in terms of the Western Cape Liquor Act 4 of 2008 as amended
Nature of business and principal activities	Regulation of the liquor industry in the Western Cape
Registered office	3rd Floor Sunbel Building 3 Old Paarl Road Bellville 7530
Bankers	Nedbank Limited
Auditors	Office of the Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Secretary	C Symes
Attorneys	State Attorney
Chief Executive Officer	L Mdunyelwa
Chairperson of the Governing Board	M Jones
Audit Committee members	E Hamman R Jaftha H Terblanche

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Governing Board Members' Responsibilities and Approval

The Governing Board members are required by section 55 of the Public Finance Management Act (Act 1 of 1999) as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Governing Board members to ensure that the annual financial statements fairly present the state of affairs of the Authority as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Governing Board members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Governing Board members to meet these responsibilities, the Governing Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Authority and all employees are required to maintain the highest ethical standards in ensuring the Authority's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk across the Authority. While operating risk cannot be fully eliminated, the Authority endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Governing Board members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Governing Board members have reviewed the Authority's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, they are satisfied that the Authority has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Governing Board are primarily responsible for the financial affairs of the Authority, they are supported by the Authority's external auditors.

The external auditors are responsible for independently providing reasonable assurance by reviewing and reporting on the Authority's annual financial statements.

The annual financial statements set out on pages 4 to 46, which have been prepared on the going concern basis, were approved by the Governing Board on 31 August 2017 and were signed on its behalf by:



**Mr Michael Jones**  
**Chairperson of the Governing Board**  
**Date: 31 August 2017**

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Statement of Financial Position as at 31 March 2017

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from Exchange Transactions	2	235,769	295,573
Receivables from Non-Exchange Transactions	3	32,000	83,000
Cash and Cash Equivalents	4	4,542,474	6,519,875
		<b>4,810,243</b>	<b>6,898,448</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5	14,616,066	15,632,433
Intangible Assets	6	1,997,567	1,487,183
		<b>16,613,633</b>	<b>17,119,616</b>
<b>Total Assets</b>		<b>21,423,876</b>	<b>24,018,064</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Provisions	7	31,021	21,301
Current Employee Benefits	8	482,342	741,802
Payables from Exchange Transactions	9	1,970,980	1,969,941
Unspent Government Grants	10	3,613,310	4,011,489
Current Portion of Long-term Liabilities	11	436,304	326,792
		<b>6,533,957</b>	<b>7,071,325</b>
<b>Non-Current Liabilities</b>			
Long-term Liabilities	11	1,873,613	2,143,360
Non-Current Provisions	7	1,123,442	1,054,875
Operating Lease Liabilities	12	520,947	299,666
		<b>3,518,002</b>	<b>3,497,901</b>
<b>Total Liabilities</b>		<b>10,051,959</b>	<b>10,569,226</b>
<b>Net Assets</b>		<b>11,371,917</b>	<b>13,448,838</b>
<b>Reserves</b>			
Social and Education Fund Reserve	13	58,994	11,573
Accumulated Surplus		11,312,923	13,437,265
<b>Total Net Assets</b>		<b>11,371,917</b>	<b>13,448,838</b>

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>			
<b>Revenue from Exchange Transactions</b>			
Application Fees	14	1,352,322	1,224,531
Interest Earned - External Investments		524,932	479,251
Other Income	15	40,479	36,955
Gain on disposal of Assets	26	2,856	-
<b>Total Revenue from Exchange Transactions</b>		<b>1,920,589</b>	<b>1,740,737</b>
<b>Revenue from Non-Exchange Transactions</b>			
<b>Transfer revenue</b>			
Government Grants and Subsidies	16	36,413,751	34,616,640
Penalties and Fines	17	1,294,908	1,220,705
Transfer of Assets	18	-	828,293
Other Income	15	834	682
Services In-Kind	19	-	314,103
<b>Total Revenue from Non-Exchange Transactions</b>		<b>37,709,493</b>	<b>36,980,423</b>
<b>Total Revenue</b>		<b>39,630,082</b>	<b>38,721,160</b>
<b>Expenditure</b>			
Employee Related Costs	20	(20,556,450)	(16,947,628)
Remuneration of Governing Board Members	21	(354,144)	(580,360)
Depreciation and Amortisation	22	(2,130,042)	(1,535,677)
Finance Charges	23	(747,829)	(709,582)
Grants and Subsidies Paid	24	-	(19,042)
General Expenses	25	(17,916,152)	(16,155,182)
Loss on disposal of Property, Plant and Equipment	26	-	(194,912)
Impairment Loss/Reversal of Impairments		(2,383)	-
<b>Total Expenditure</b>		<b>(41,707,000)</b>	<b>(36,142,383)</b>
<b>(Deficit)/Surplus for the year</b>		<b>(2,076,918)</b>	<b>2,578,777</b>



## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Statement of Changes in Net Assets

Figures in Rand	Social and Education Fund Reserve	Accumulated Surplus	Total
<b>Balance at 01 April 2015</b>	<b>10,732</b>	<b>10,859,329</b>	<b>10,870,061</b>
Changes in Net Assets			
Surplus for the year	-	2,578,777	2,578,777
Movement in Social and Education Fund Reserve	841	(841)	-
Total Changes	841	2,577,936	2,578,777
<b>Balance at 01 April 2016</b>	<b>11,573</b>	<b>13,437,262</b>	<b>13,448,835</b>
Changes in Net Assets			
Deficit for the year	-	(2,076,918)	(2,076,918)
Movement in Social and Education Fund Reserve	47,421	(47,421)	-
Total Changes	47,421	(2,124,339)	(2,076,918)
<b>Balance at 31 March 2017</b>	<b>58,994</b>	<b>11,312,923</b>	<b>11,371,917</b>
Note	13		

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
<b>Cash flows from Operating Activities</b>			
<b>Receipts</b>			
Government Grants		36,015,572	34,897,944
Interest		534,986	508,260
Other Receipts		2,789,293	2,213,939
		39,339,851	37,620,143
<b>Payments</b>			
Suppliers and Employees		(38,838,203)	(32,483,045)
Finance Charges		(695,229)	(689,240)
Grants and Subsidies Paid		-	(19,042)
		(39,533,432)	(33,191,327)
<b>Net cash flows from Operating Activities</b>	27	<b>(193,581)</b>	<b>4,428,816</b>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment	5	(909,954)	(3,367,110)
Purchase of Intangible Assets	6	(736,282)	(153,079)
Proceeds with disposal of Property, Plant and Equipment		22,650	6,500
<b>Net cash flows from Investing Activities</b>		<b>(1,623,586)</b>	<b>(3,513,689)</b>
<b>Cash flows from Financing Activities</b>			
Finance Lease Capital Redemption		(160,234)	(242,804)
<b>Net (decrease)/increase in Cash and Cash Equivalents</b>		<b>(1,977,401)</b>	<b>672,323</b>
Cash and Cash Equivalents at the beginning of the year		6,519,875	5,847,552
<b>Cash and Cash Equivalents at the end of the year</b>	4	<b>4,542,474</b>	<b>6,519,875</b>

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
<b>Figures in Rand</b>					
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from Exchange Transactions</b>					
Application Fees	938,100	383,597	<b>1,321,697</b>	1,352,322	30,625
Interest Earned - External Investments	350,000	134,690	<b>484,690</b>	524,932	40,242
<b>Total revenue from Exchange Transactions</b>	<b>1,288,100</b>	<b>518,287</b>	<b>1,806,387</b>	<b>1,877,254</b>	<b>70,867</b>
<b>Revenue from Non-Exchange Transactions</b>					
<b>Transfer Revenue</b>					
Government Grants & Subsidies	35,517,000	5,638,905	<b>41,155,905</b>	36,413,751	(4,742,154)
Penalties and Fines	1,061,900	20,800	<b>1,082,700</b>	1,294,908	212,208
Other Income	-	22,932	<b>22,932</b>	834	(22,098)
<b>Total Revenue from Non-Exchange Transactions</b>	<b>36,578,900</b>	<b>5,682,637</b>	<b>42,261,537</b>	<b>37,709,493</b>	<b>(4,552,044)</b>
<b>Total Revenue</b>	<b>37,867,000</b>	<b>6,200,924</b>	<b>44,067,924</b>	<b>39,586,747</b>	<b>(4,481,177)</b>
<b>Expenditure</b>					
Employee Related Costs	(20,466,190)	(364,831)	<b>(20,831,021)</b>	(20,556,450)	274,571
Remuneration of Governing Board Members	(295,600)	(138,465)	<b>(434,065)</b>	(354,144)	79,921
Impairment loss/reversal of impairments	-	-	-	(2,383)	(2,383)
General Expenses	(15,695,751)	(2,290,923)	<b>(17,986,674)</b>	(17,961,152)	25,522
<b>Total Expenditure</b>	<b>(36,457,541)</b>	<b>(2,794,219)</b>	<b>(39,251,760)</b>	<b>(38,874,129)</b>	<b>377,631</b>
<b>Net Surplus for the year</b>	<b>1,409,459</b>	<b>3,406,705</b>	<b>4,816,164</b>	<b>712,618</b>	<b>(4,103,546)</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>3,406,705</b>	<b>3,406,705</b>	<b>-</b>	<b>(3,406,705)</b>

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Statement of Comparison of Budget and Actual Amounts

##### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
<b>Figures in Rand</b>					
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	485,000	985,341	<b>1,470,341</b>	909,954	(560,387)
Intangible Assets	-	2,060,735	<b>2,060,735</b>	736,283	(1,324,452)
Finance Lease	924,459	360,630	<b>1,285,089</b>	1,285,089	-
	<b>1,409,459</b>	<b>3,406,706</b>	<b>4,816,165</b>	<b>2,931,326</b>	<b>(1,884,839)</b>
<b>Total Assets</b>	<b>1,409,459</b>	<b>3,406,706</b>	<b>4,816,165</b>	<b>2,931,326</b>	<b>(1,884,839)</b>
<b>Net Assets</b>	<b>1,409,459</b>	<b>3,406,706</b>	<b>4,816,165</b>	<b>2,931,326</b>	<b>(1,884,839)</b>
<b>Net Assets</b>					
<b>Net Assets Attributable to Owners of Controlling Entity</b>					
<b>Reserves</b>					
Social and Education Fund Reserve	-	-	-	58,994	58,994
Accumulated Surplus	1,409,459	3,406,706	<b>4,816,165</b>	2,872,332	(1,943,833)
<b>Total Net Assets</b>	<b>1,409,459</b>	<b>3,406,706</b>	<b>4,816,165</b>	<b>2,931,326</b>	<b>(1,884,839)</b>

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Accounting Policies

#### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, except where an exemption has been granted, are disclosed below.

These accounting policies are consistent with the previous period, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

##### 1.1 Presentation Currency

These financial statements are presented in South African Rand, which is the functional currency of the entity. Financial values are rounded to the nearest one Rand.

##### 1.2 Going Concern Assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

##### 1.3 Comparative Information

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

##### 1.4 Amended Disclosure Policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. There were no principal amendments to the accounting policy in the current year.

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Accounting Policies

##### 1.5 Presentation of Budget Information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury.

The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of Comparison of Budget and Actual amounts.

Budget information is based on the same period as the actual amounts. The budget information is based on the cash basis of accounting and is therefore not on a comparable basis to the actual amounts as per the financial statements which is accounted for on the accrual basis of accounting. Reconciliations are performed on the actual amounts in order to eliminate all accrual type entries in order to make it comparable to the budgeted amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- reconciled actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

##### 1.6 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

##### 1.7 Reserves

###### Social and Education Fund Reserve

The Authority is required to establish a Social and Education Fund in terms of section 31 of the Western Cape Liquor Act.

The purpose of the Fund is:

- combating the negative social consequences of the abuse of liquor;
- educating persons engaged in the sale and supply of liquor; and
- educating the general public in the responsible sale, supply and consumption of liquor.

The budget of the Fund is included within the budget of the Authority that is submitted in accordance with the Public Finance Management Act, 1999.

The Authority must open an account for the fund in the name of the Authority with an institution registered as a bank in terms of the Banks Act, 1990 (Act 94 of 1990).

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Accounting Policies

#### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

##### Finance Leases - Lessor

Under a finance lease, the Authority recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Authority, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Authority recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

##### Finance Leases - Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Authority. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments,

the Authority uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Authority recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Accounting Policies

##### 1.9 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Authority does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Authority has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Authority has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

##### 1.10 Employee Benefits

###### Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulated leave is vesting.



## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Accounting Policies

#### 1.11 Property, Plant and Equipment

##### Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Authority, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Authority. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Authority for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Authority expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Where the Authority replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

##### Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Accounting Policies

Item	Depreciation Method	Average Useful Life
Computer Equipment	Straight line	5 - 10 years
Furniture and Fittings	Straight line	5 - 30 years
Office Equipment	Straight line	10 - 30 years
Safety and Security	Straight line	10 years

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication

exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

The annual depreciation rates are based on the following estimated useful lives (leased assets):

Office Equipment	Straight line	3 years
Motor Vehicles	Straight line	7 years
Leasehold Improvements	Straight line	15 years
Capital Restoration Costs	Straight line	15 years

#### De-Recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.12 Intangible Assets

##### Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criteria in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Authority and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Authority intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Authority or from other rights and obligations.

The Authority recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Authority and the cost or fair value of the asset can be measured reliably.

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Accounting Policies

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Authority intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Authority has the resources to complete the project;
- it is probable that the Authority will receive future economic benefits or service potential; and
- the Authority can measure reliably the expenditure attributable to the intangible asset during its development.

#### Intangible Assets are Initially Recognised at Cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Item	Useful Life
Computer Software	10 years
Website Development	3 years

#### De-Recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### Accounting Policies

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##### 1.13 Impairment of Cash-Generating Assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Authority considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Authority have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Authority operates or in the market to which an asset is dedicated.

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Accounting Policies

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
  - Evidence is available of obsolescence or physical damage of an asset.
  - Significant changes with an adverse effect on the Authority have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used.  
These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### 1.14 Impairment of Non-Cash-Generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Authority considers the following indications:

### Western Cape Liquor Authority

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(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Authority have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Authority operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Authority have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- depreciation replacement cost approach - the present value of the remaining service potential of an asset is
- determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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#### Accounting Policies

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit.

The Authority assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Authority estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### 1.15 Financial Instruments

Financial instruments recognised on the Statement of Financial Position include receivables (from exchange transactions), cash and cash equivalents and loans and payables (from exchange transactions).

##### Initial Recognition

Financial instruments are initially recognised when the Authority becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Authority, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence



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of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Authority determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Authority. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

##### **Payables**

Financial liabilities consist of payables. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

##### **Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Authority categorises cash and cash equivalents as financial assets carried at amortised cost.

##### **De-recognition of Financial Instruments**

##### **Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Authority has transferred its rights to receive cash flows from the asset or has assumed an



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obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Authority's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Authority's continuing involvement is the amount of the transferred asset that the Authority may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Authority's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Authority categorises cash and cash equivalents as financial assets carried at amortised cost.

#### 1.16 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Authority received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

## Part E: Financial Information

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Financial Statements for the year ended 31 March 2017

#### Accounting Policies

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Funding from the Western Cape Provincial Treasury department via the Western Cape Department of Community Safety received or receivable is recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised. The liability is transferred to revenue as and when the operating or capital expenditure has been recognised.

Penalties and Fines are charged in accordance with section 20(3)(b)(v), 63(4) and 82(2)(b) of the Western Cape Liquor Act. Penalties constitute additional charges on late payment on licence fees and the revenue is recognised when payment is received. Fines are either imposed by the Liquor Licensing Tribunal or other law-enforcement agencies for non-compliance by the licensee. Fines imposed by the Liquor Licensing Tribunal are recognised when the fines are issued. In cases where fines are issued by other law-enforcement agencies, revenue will only be recognised when monies are received, as the Authority does not have any control over fines issued by other law-enforcement agencies.

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Authority.

All unclaimed deposits accumulated during the year must be allocated at year-end. At year-end, the Authority evaluates revenue streams received during the year. Based on the historic revenue streams of the current year, unknown receipts are reallocated on a weighted average basis to Revenue from Exchange Transactions, Revenue from Non-Exchange Transactions, payable to the principle in terms of the agency function.

Although unclaimed deposits are recognised as revenue, the Authority still keep record of these unclaimed deposits for three years in the event that a party should submit a valid claim, in which case it will be expensed.

Revenue from the recovery of irregular and fruitless and wasteful expenditure is recognised when the recovery thereof from the responsible officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, an Authority recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Authority's operations are recognised as assets and the related revenue when:

If the services in-kind are not significant to the Authority's operations or do not satisfy the above-mentioned criteria, the Authority only disclose the nature and type of services in-kind received during the reporting period.

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When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Authority and the right to use assets in a nonexchange transaction. These services meet the definition of an asset, because the Authority controls the resource from which future economic benefits or service potential is expected to flow to the Authority. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Authority therefore recognises an expense and related revenue for the consumption of services in-kind.

Revenue from exchange transactions refers to revenue that accrued to the Authority directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

#### 1.17 Revenue from Exchange Transactions

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Authority has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Authority has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Authority does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Authority acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Authority as compensation for executing the agreed services.

Application Fees are charged in accordance with section 26(8), 36(1)(e), 38, 64(1) and 65(9) of the Western Cape Liquor Act.

Application Fees mainly include applications for new liquor licenses or amendments to existing liquor licenses. The application documents are only supplied to the applicants on confirmation that the application fees have been received in the Authority's bank account. Revenue is recognised when payment is received.

Revenue is measured at the fair value of the consideration received or receivable.

### Western Cape Liquor Authority

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The amount of revenue arising on a transaction is usually determined by agreement between the Authority and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Authority.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### 1.18 Related Parties

The Authority resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Authority:

- (a) A person or a close member of that person’s family is related to the Authority if that person:
- has control or joint control over the Authority.
  - has significant influence over the Authority. Significant influence is the power to participate in the financial and operating policy decisions of the Authority.
  - is a member of the management of the Authority or its controlling entity.

## Western Cape Liquor Authority

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### Accounting Policies

- (b) An entity is related to the Authority if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Authority or an entity related to the Authority. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Authority. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) are all persons having the authority and responsibility for planning, directing and controlling the activities of the Authority, including:

- (a) all members of the governing body of the Authority;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Authority;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Authority; and
- (d) the executive management team of the Authority, including the Chief Executive Officer or permanent head of the Authority, unless already included in (a).

Management include:

- (a) All members of the governing body of the Authority.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Authority being the Chief Executive Officer and all other Deputy Directors reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

Remuneration of management includes remuneration derived for services provided to the Authority in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Authority for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Authority.

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Accounting Policies

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##### 1.19 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No. 1 of 1999) the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Authority's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

##### 1.20 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

##### 1.21 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Authority does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Management judgement is required when recognising and measuring contingent liabilities.

##### 1.22 Significant Judgements and Sources of Estimation Uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

###### Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. For other assets management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

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#### Accounting Policies

##### Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Authority and other public entities to determine the useful life of the assets.

##### Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. .

##### Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Authority.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Authority, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Authority is satisfied that recognition of the revenue in the current year is appropriate.

##### Provision for Staff Leave

Staff leave is accrued to employees according to agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

##### Provision for Performance Bonus

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation.

##### Provisions

The provision for restoration of premises is recognised as and when the contractual liability arises. The provision is calculated on the principle of best estimate. The provision represents the net present value at the reporting date of the expected future cash flows to restore the leased premises. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when applying best estimate principle regarding the provision:

- Judgement based on quotations of an independent contractor to determine the cost of rehabilitation of premises.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.



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Financial Statements for the year ended 31 March 2017

#### Accounting Policies

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##### 1.23 Commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

##### 1.24 Events after Reporting Date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Authority discloses the nature and an estimate of the financial effect.



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### Accounting Policies

#### 1.25. Standards, Amendments to Standards and Interpretations Issued but not yet Effective

The following GRAP standards have been issued but are not yet effective and has been adopted by the Authority:

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Authority's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Authority resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><b>Service Concession Arrangements</b></p> <p>Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Authority does not have significant statutory receivables.</p>	Unknown
IGRAP 17	<p><b>Service Concession</b></p> <p>Arrangements where a grantor controls a significant residual interest in an asset This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Authority does not have any Concession Arrangements at this stage.</p>	Unknown

## Part E: Financial Information

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#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>2. Receivables from Exchange Transactions</b>		
Accrued Interest on Investment Accounts	40,243	50,297
Prepayment	186,177	232,240
Deposits	9,349	13,036
	<b>235,769</b>	<b>295,573</b>
The prepayment relates to a rent which was paid to the landlord in terms of the lease agreement for the offices residing in Bellville.		
<b>Ageing of Receivables from Exchange Transactions</b>		
<b>Accrued Interest on Investment Accounts</b>		
Current (0 - 30 days)	40,243	50,297
<b>Prepayment</b>		
Current (0 - 30 days)	186,177	232,240
<b>Deposits</b>		
Current (0 - 30 days)	9,349	13,036
<b>3. Receivables from Non-Exchange Transactions</b>		
Accrued Fines	32,000	83,000
In determining the recoverability of a trade receivable, the Authority considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no credit provisions are required for doubtful debts.		
<b>4. Cash and Cash Equivalents</b>		
Cash and Cash Equivalents consist of:		
Call Investment Deposits	4,132,782	6,363,441
Primary Bank Accounts	393,933	152,239
Procurement Card	15,759	4,195
	<b>4,542,474</b>	<b>6,519,875</b>
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The Authority has the following bank accounts:		
<b>Call Investment Deposits</b>		
Call investment deposits consist out of the following account:		
Nedbank - acc no 037881100168 - Call (Grant)	3,868,908	2,718,648
Nedbank - acc no 037881100168 - Call (Income)	204,880	3,643,952
Nedbank - acc no 037881100168 - Call (Social and Education Fund)	58,994	841
	<b>4,132,782</b>	<b>6,363,441</b>

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>4. Cash and Cash Equivalents (continued)</b>		
<b>Primary Bank Accounts</b>		
Nedbank - account no 1452069883 (income account)	49,800	91,935
Nedbank - account no 1452069905 (expense account)	344,133	60,304
	<b>393,933</b>	<b>152,239</b>
<b>Nedbank - account no 1452069883 (income account)</b>		
Cash book balance at beginning of year	91,935	125,979
Cash book balance at end of year	49,800	91,935
Bank statement balance at beginning of year	91,935	125,979
Bank statement balance at end of year	49,800	91,935
<b>Nedbank - account no 1452069905 (expense account)</b>		
Cash book balance at beginning of year	60,304	58,951
Cash book balance at end of year	344,133	60,304
Bank statement balance at beginning of year	60,304	58,951
Bank statement balance at end of year	344,133	60,304
<b>Procurement Card</b>		
<b>Nedbank</b>		
Balance at beginning of year	4,195	-
Balance at end of year	15,759	4,195

	2017			2016		
	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
	4,053,070	(1,279,290)	2,773,780	3,509,377	(616,139)	2,893,238
	859,405	(168,776)	690,629	798,012	(80,376)	717,636
	3,660,891	(398,703)	3,262,188	3,657,129	(162,230)	3,494,899
	1,035,069	(163,426)	871,643	931,114	(64,451)	866,663
	937,977	(582,574)	355,403	767,557	(333,282)	434,275
	2,063,057	(541,152)	1,521,905	2,062,306	(362,279)	1,700,027
	4,773,173	(534,421)	4,238,752	4,773,173	(216,209)	4,556,964
	1,012,310	(110,544)	901,766	1,014,693	(45,962)	968,731
	<b>18,394,952</b>	<b>(3,778,886)</b>	<b>14,616,066</b>	<b>17,513,361</b>	<b>(1,880,928)</b>	<b>15,632,433</b>

Computer Equipment  
Office Equipment  
Furniture and Fittings  
Safety and Security  
Office Equipment (Lease)  
Motor Vehicles (Lease)  
Leasehold Improvements  
Capital Restoration Costs

Opening Balance	Additions	Disposals	Depreciation	Impairment Loss	Total
2,893,238	569,673	(19,794)	(669,337)	-	2,773,780
717,636	61,394	-	(88,401)	-	690,629
3,494,899	3,762	-	(236,473)	-	3,262,188
866,663	103,955	-	(98,975)	-	871,643
434,275	170,420	-	(249,292)	-	355,403
1,700,027	750	-	(178,872)	-	1,521,905
4,556,964	-	-	(318,212)	-	4,238,752
968,731	-	-	(64,582)	(2,383)	901,766
<b>15,632,433</b>	<b>909,954</b>	<b>(19,794)</b>	<b>(1,904,144)</b>	<b>(2,383)</b>	<b>14,616,066</b>

## Western Cape Liquor Authority

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

#### Figures in Rand

#### 5. Property, Plant and Equipment (continued)

##### Reconciliation of Property, Plant and Equipment - 2017

	Opening Balance	Additions	Disposals	Contributions and Transfers	Depreciation	Total
Computer Equipment	2,322,369	987,118	-	-	(416,249)	2,893,238
Office Equipment	193,540	582,380	(5,575)	-	(52,709)	717,636
Furniture and Fittings	346,453	3,493,985	(247,355)	30,293	(128,477)	3,494,899
Safety and Security	-	931,114	-	-	(64,451)	866,663
Office Equipment (Leased Assets)	117,249	529,123	-	-	(212,097)	434,275
Motor Vehicles (Leased Assets)	2,387,964	-	(600,410)	-	(87,527)	1,700,027
Leasehold Improvements (Leased Assets)	-	3,975,173	-	798,000	(216,209)	4,556,964
Capital Restoration Cost (Leased Assets)	-	1,014,693	-	-	(45,962)	968,731
	<b>5,367,575</b>	<b>11,513,586</b>	<b>(853,340)</b>	<b>828,293</b>	<b>(1,223,681)</b>	<b>15,632,433</b>

#### Pledged as Security

Leased Assets were pledged as security as per note 11

There are no fully depreciated assets which is still in use or any assets held for disposal or any temporary idle assets as at reporting date.

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand

##### 6. Intangible Assets

	2017			2016		
	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value
Computer Software	2,531,311	(533,744)	1,997,567	1,795,029	(307,846)	1,487,183

##### Reconciliation of Intangible Assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer Software	1,487,183	736,282	(225,898)	1,997,567

##### Reconciliation of Intangible Assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer Software	1,520,676	153,079	(186,572)	1,487,183

The following material intangible assets are included in the carrying value above:

Description	Remaining Amortisation Period	2017	2016
		Carrying Value	
LMATS - phase 1	7 years	180,161	206,318
LMATS - phase 2	7 years	69,515	79,517
LMATS - phase 3	8 years	200,775	228,471
LMATS - phase 4	8 years	126,683	143,609
LMATS - phase 5	8 years	136,030	153,724
LMATS - phase 6	8 years	212,460	239,386
LMATS - phase 7	8 years	132,531	147,257
LMATS - phase 8	9 years	137,534	-
LMATS - phase 9	9 years	139,026	-
LMATS - phase 10	10 years	214,046	-
LMATS - phase 11	10 years	220,643	-
FMATS	7 years	194,000	223,640
Website Development	1 year	29,430	59,946
TMS Software	8 years	4,733	5,315
		<b>1,997,567</b>	<b>1,487,183</b>

##### Other Information

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand

#### 7. Non-Current Provisions

##### Reconciliation of Non-Current Provisions - 2017

	Opening Balance	Contribution for the year	Expenditure for the year	Finance Charges	Total
Provision for Restoration of Leased Premises	1,054,875	-	-	68,567	1,123,442
Workmens' Compensation	21,301	32,712	(22,992)	-	31,021
	<b>1,076,176</b>	<b>32,712</b>	<b>(22,992)</b>	<b>68,567</b>	<b>1,154,463</b>

##### Reconciliation of Non-Current Provisions - 2016

	Opening Balance	Additions	Contribution for the year	Expenditure for the year	Finance Charges	Total
Provision for Restoration of Leased Premises	-	1,014,693	-	-	40,182	1,054,875
Workmens' Compensation	19,083	-	25,970	(23,752)	-	21,301
	<b>19,083</b>	<b>1,014,693</b>	<b>25,970</b>	<b>(23,752)</b>	<b>40,182</b>	<b>1,076,176</b>

	2017	2016
Non-Current Liabilities	1,123,442	1,054,875
Current Liabilities	31,021	21,301
	<b>1,154,463</b>	<b>1,076,176</b>

#### Restoration of Leased Premises Provision

The current lease contract state that at termination date, the Authority will be liable for the restoration of the leased premises back to "base building condition".

The calculation for the restoration provision was compiled by qualified contractors in order to determine the present value to restore the leased premises.

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used.

This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

#### Workmans Compensation Provision

Provision for Workmen's Compensation is based on the risk factor of 0.13% as indicated by the Department of Labour. The provision is calculated by multiplying the risk factor with employee's earnings. This is regarded as a provision as the timing and amount of the final assessment is an uncertainty.

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>8. Current Employee Benefits</b>		
Provision for Staff Leave	482,342	441,979
Provision for Performance Bonuses	-	299,823
	<b>482,342</b>	<b>741,802</b>
The movement in current employee benefits is reconciled as follows:		
<b>Provision for Staff Leave</b>		
Balance at beginning of year	441,979	448,459
Contribution to Current Portion - Note 20	111,333	134,777
Expenditure Incurred	(70,970)	(141,257)
	<b>482,342</b>	<b>441,979</b>
Staff leave accrued to employees according to service conditions. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.		
<b>Provision for Performance Bonuses</b>		
Balance at beginning of year	299,823	274,671
Contribution to Current Portion - Note 20	-	299,823
Expenditure Incurred	(299,823)	(274,671)
	<b>-</b>	<b>299,823</b>

Performance bonuses were paid to qualifying staff members as per the Human Resource Policy.

#### Defined Contribution Pension Plan

Pension fund contributions has been included in personnel cost. Pension contributions amounting to R2 388 392 (2016: R1 936 011) was paid over to Verso Umbrella Retirement Pension Fund.



## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>9. Payables from Exchange Transactions</b>		
Trade Payables	1,161,514	561,256
Accrued Interest on Finance Leases	12,176	28,143
Provincial Revenue Fund	797,290	1,380,542
<b>Total Payables from Exchange Transactions</b>	<b>1,970,980</b>	<b>1,969,941</b>
Trade Payables are being recognised net of any discounts. Payables are being paid within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices. Discounting of payables on initial recognition is not deemed necessary.		
The Authority acts as an agent for the Provincial Revenue Fund for the collection of licence fees.		
Outstanding balance at beginning of year	1,380,542	876,688
Total amount collected on behalf of the Provincial Revenue Fund	27,378,816	26,681,604
Total amount of collections paid to the Provincial Revenue Fund	(27,962,068)	(26,177,750)
	<b>797,290</b>	<b>1,380,542</b>
The principal-agent relationship is defined in terms of the Western Cape Liquor Act of 2008 as amended. The WCLA collects fees on behalf of the Provincial Revenue Fund, which is paid to the Department of Community Safety (DOCS) who then pays the fees collected to the Provincial Revenue Fund. These payments are done in terms of the memorandum of understanding between the WCLA and DOCS. No significant risks are identified.		
<b>10. Unspent Government Grants</b>		
<b>Unspent Conditional Grants and Receipts comprises of:</b>		
<b>Unspent Conditional Grants and Receipts</b>		
Western Cape Department of Community Safety	3,613,310	4,011,489
<b>Movement during the Year</b>		
Balance at the beginning of the year	4,011,489	3,730,185
Grants Received	36,015,572	38,732,506
Grants Recognised as Income	(36,413,751)	(34,616,640)
Grants Surrendered	-	(3,834,562)
	<b>3,613,310</b>	<b>4,011,489</b>

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>11. Long-Term Liabilities</b>		
Capitalised Lease Liabilities - at Amortised Cost	2,309,917	2,470,152
Less: Current Portion transferred to Current Liabilities	(436,304)	(326,792)
<b>Total - At amortised cost using the effective interest rate method</b>	<b>1,873,613</b>	<b>2,143,360</b>

The management of the Liquor Authority is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Interim Financial Statements approximate their fair values. Capitalised lease liabilities are secured by Property, Plant and Equipment as set out in Note 5.

**Capitalised Leased Liabilities consist out of the following contracts:**

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease term	Maturity Date
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554)	13.66 %	- %	3 years	30 April 2016
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554)	24.46 %	- %	3 years	28 February 2017
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	14.34 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	14.34 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C554E)	14.34 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C364E)	21.62 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C454E)	21.62 %	- %	3 years	30 June 2018
Minolco (Pty) Ltd	Printer/Fax/Copier (Model C654E)	26.99 %	- %	3 years	31 May 2019
Minolco (Pty) Ltd	Printer/Fax/Copier (Model B454E)	17.29 %	- %	3 years	29 February 2020
Government Motor Transport	Ford Ranger 3.2XLT D/CAB 4X4	23.95 %	- %	5 years	28 February 2020
Government Motor Transport	Hyundai Elantra - 1.8	29.02 %	- %	5 years	29 April 2019
Government Motor Transport	Hyundai Elantra - 1.8	30.02 %	- %	5 years	29 June 2019
Government Motor Transport	Hyundai H1.2.4 GLS Wagon	34.47 %	- %	7 years	29 March 2020
Government Motor Transport	Toyota Etios - 1.5 XS	33.76 %	- %	7 years	28 April 2020
Government Motor Transport	Toyota Hilux 2.7 4x2 D/CAB	33.63 %	- %	7 years	27 Nov. 2020
Government Motor Transport	Volkswagen Caddy - 2.0 Trendline	22.50 %	- %	5 years	29 June 2019
Government Motor Transport	Volkswagen Polo 1.4 Trendline	34.79 %	- %	7 years	28 August 2020
Government Motor Transport	Volkswagen Polo 1.4 Trendline	34.79 %	- %	7 years	28 August 2020

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>11. Long-Term Liabilities (continued)</b>		
Interest on finance lease payables are charged by Government Motor Transport to replace vehicles at the end of their useful lives and to recoup operating expenditure such as tracking, insurance and GMT overhead expenditure.		
Ownership of the leased vehicle is transferred to Government Motor Transport at the conclusion of the lease agreements.		
<b>The obligations under finance leases are scheduled below:</b>		
	<b>Minimum lease payments</b>	
Payable within one year	1,037,767	980,589
Payable within two to five years	2,744,166	3,582,656
<b>Subtotal</b>	<b>3,781,933</b>	<b>4,563,245</b>
Less: Future Finance Obligations	(1,471,016)	(2,093,093)
	<b>2,310,917</b>	<b>2,470,152</b>
<b>12. Operating Lease Liabilities</b>		
Non-Current Liabilities	520,947	299,666
	<b>520,947</b>	<b>299,666</b>
The operating lease relates to the lease of office space. The lease period is for 5 years and the contract lapse on 31 May 2020. The lease payment escalate at a rate of 8% per annum. Renewal of the lease at the end of the term is available.		
The Authority does not engage in any sub-lease arrangements.		
The Authority did not pay any contingent rent during the year.		
<b>The minimum lease payments are payable as follow:</b>		
Payable within one year	2,390,134	2,213,087
Payable within two to five years	5,839,646	8,229,779
	<b>8,229,780</b>	<b>10,442,866</b>

#### Motor Vehicles

##### Leasing Arrangements:

Operating leases relate to 5 vehicles with anticipated remaining lease terms of 23 to 37 months as at 31 March 2017. The Authority does not have an option to purchase the leased assets at the expiry of the leased period.

These rentals are classified as contingent rentals due to uncertain lease periods and fluctuating tariff increases. The operating lease payments are therefore not subject to straight-lining. It is therefore impracticable to disclose the future minimum lease payments expected to be received for each of the following periods as required by GRAP 13.

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>13. Social and Education Fund Reserve</b>		
Opening Balance	11,573	10,732
Contributions Made	750,000	750,700
Expenditure Incurred	(702,579)	(749,859)
<b>Total Social and Education Fund Reserve</b>	<b>58,994</b>	<b>11,573</b>
The Social and Education Fund Reserve is cash backed. The funds to cash back the reserve is included in the Call Investment Deposits as disclosed in Note 4.		
<b>14. Application Fees</b>		
New Licences	909,250	783,750
Change of Premises on Existing Licences	24,000	28,100
Granting Fees	19,350	22,650
Licence for Transfer of Licence to New Owner	107,500	106,500
Alterations of Premises on Existing Licences	94,550	104,500
Amendment of Conditions on Existing Licences	13,000	10,000
Interim or Pending Licence Fee	99,000	124,831
Transfer of Financial Interest on Existing Licences	25,500	21,500
Other Application Fees	33,600	22,700
Unknown Receipts deemed to be Application Fees	26,572	-
	<b>1,352,322</b>	<b>1,224,531</b>
<b>15. Other Income</b>		
Copy of Licences	40,197	30,050
Sundry Income	282	6,905
Unknown Receipts Recognised as Income	834	682
	<b>41,313</b>	<b>37,637</b>
<b>Disclosed as follow:</b>		
Revenue from Non-Exchange Transactions	834	682
Revenue from Exchange Transactions	40,479	36,955
	<b>41,313</b>	<b>37,637</b>

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>16. Government Grants and Subsidies</b>		
<b>Operating Grants</b>		
Western Cape Department of Community Safety	36,413,751	34,616,640
<b>Western Cape Department of Community Safety</b>		
Balance Unspent at beginning of year	4,011,489	3,730,185
Grants Received	36,015,572	38,732,506
Grants Recognised as Income	(36,413,751)	(34,616,640)
Grants Surrendered	-	(3,834,562)
	<b>3,613,310</b>	<b>4,011,489</b>
The grant enables the Authority to carry out its mandate to regulate the liquor industry in the Western Cape.		
<b>17. Penalties and Fines</b>		
Penalties on Late Payments of Licence Renewals	962,500	931,505
Fines Imposed by the Liquor Licencing Tribunal	294,000	271,500
Fines Imposed by Designated Liquor Officer	12,100	17,700
Unknown Receipts Deemed to be Penalties and Fines	26,308	-
<b>Total Penalties and Fines</b>	<b>1,294,908</b>	<b>1,220,705</b>
<b>18. Transfer of assets</b>		
Property, Plant and Equipment	-	828,293
Landlord	-	798,000
Other	-	30,293
	<b>-</b>	<b>828,293</b>
<b>19. Services In-Kind</b>		
Department of Economic Development and Tourism	-	314,103

Due to the prospective application of the revised GRAP 23, the Authority raises all significant services in-kind as a revenue as well as an expenditure in the current year.

The building which was occupied for the first 3 months of the 2015/16 financial year by the Authority (6th Floor Waldorf Building, from where its operations were conducted) is leased by the Department of Transport and Public Works. No rent was levied by this Department for the right of use granted to the Authority.

The Authority also made use of telephone services which is paid for by the Department of Transport and Public Works in the 2015/2016 financial year.

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>20. Employee Related Costs</b>		
Salaries and Wages	17,506,344	14,322,650
Contribution to Leave Provision	111,333	134,777
Contribution to Bonus Provision	(214)	299,823
UIF	91,974	80,295
Overtime	68,591	19,101
Pension Fund Contributions	2,388,392	1,936,011
Workmen's Compensation	35,712	25,970
Group Riks and Funeral Benefits	161,410	-
Cellphone Allowances	192,908	129,001
	<b>20,556,450</b>	<b>16,947,628</b>
<b>Chief Executive Officer - Luzuko Mdunyelwa</b>		
Basic Salary	789,030	187,865
Pension Fund	118,354	28,180
Cellphone Allowance	14,400	2,850
Contributions to UIF	1,785	446
	<b>923,569</b>	<b>219,341</b>
<b>Chief Financial Officer - Victoria Letswalo</b>		
Basic Salary	488,481	71,743
Pension Fund	73,272	10,761
Cellphone Allowance	8,800	1,043
Contribution to UIF	1,636	297
	<b>572,189</b>	<b>83,844</b>
<b>Deputy Director: Corporate Services - Marvin Jackson</b>		
Basic Salary	557,241	510,217
Pension Fund	83,586	76,532
Performance Bonus	14,980	13,426
Cellphone Allowance	9,600	7,200
Contribution to UIF	1,785	1,785
	<b>667,192</b>	<b>609,160</b>

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>20. Employee Related Costs (continued)</b>		
<b>Deputy Director: Compliance and Enforcement - Shawn Willemse (1 December 2012 - 31 August 2016)</b>		
Basic Salary	232,184	510,217
Pension Fund	34,828	76,532
Performance Bonus	14,980	13,310
Cellphone Allowance	4,000	7,200
Contributions to UIF	809	1,785
	<b>286,801</b>	<b>609,044</b>
<b>Deputy Director: Compliance and Enforcement - Martell van Lill (1 November 2016 - 31 March 2017)</b>		
Basic Salary	222,037	-
Pension Fund	33,306	-
Cellphone Allowance	4,000	-
Contributions to UIF	744	-
	<b>260,087</b>	<b>-</b>
<b>Deputy Director: Communication, Education and Stakeholder Relations - Philip Prinsloo</b>		
Basic Salary	557,241	510,217
Pension Fund	83,586	79,548
Performance Bonus	14,980	13,464
Acting Allowance	-	20,103
Cellphone Allowance	9,600	7,200
Contributions to UIF	1,785	1,785
	<b>667,192</b>	<b>632,317</b>
<b>Chief Executive Officer - Thys Giliomee (1 April 2015 - 31 October 2015)</b>		
Basic Salary	-	387,087
Pension Fund	-	58,061
Performance Bonus	-	20,602
Cellphone Allowance	-	5,700
Contributions for UIF	-	892
	<b>-</b>	<b>472,342</b>

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

##### Figures in Rand

#### 21. Remuneration of Governing Board Members

##### 31 March 2017

	Sitting Allowances	Total
Michael Jones (Chairperson)	127,120	127,120
Clint Alexander (Deputy Chairperson)	10,421	10,421
André du Plessis	50,357	50,357
Hendri Terblanche	48,234	48,234
Ludick Sass	10,700	10,700
Rev Phillip Philander	46,136	46,136
Julia Modise	47,074	47,074
Ina du Bruyn	5,821	5,821
Underé Deglon	8,281	8,281
	<b>354,144</b>	<b>354,144</b>

##### 31 March 2016

	Sitting Allowances	Total
Michael Jones (Chairperson)	208,030	208,030
Clint Alexander (Deputy Chairperson)	58,424	58,424
André du Plessis	70,564	70,564
Hendri Terblanche	72,882	72,882
Ludick Sass	47,052	47,052
Rev Phillip Philander	57,788	57,788
Julia Modise	65,620	65,620
	<b>580,360</b>	<b>580,360</b>

#### 22. Depreciation and Amortisation

	2017	2016
Property, Plant and Equipment - note 5	1,839,562	1,349,105
Intangible Assets - Note 6	225,898	186,572
	<b>2,065,460</b>	<b>1,535,677</b>

#### 23. Finance Charges

	2017	2016
Long-Term Liabilities	679,262	669,400
Non-Current Provisions	68,567	40,182
	<b>747,829</b>	<b>709,582</b>



## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>24. Grants and Subsidies Paid</b>		
Government Motor Transport	-	19,042
The subsidy paid relates to a price adjustment.		
<b>25. General Expenses</b>		
Advertising Fees	2,427,543	2,700,667
Audit Fees - external	1,700,894	984,460
Audit Fees - internal	563,561	263,726
Bank charges	21,452	19,222
Cleaning Services	103,733	56,256
Computer Equipment Support	902,488	605,558
Conferences and Seminars	108,802	141,159
Consulting and Professional Fees	1,942,953	978,382
Entertainment and Catering	27,073	39,348
Fruitless and Wasteful Expenditure	-	1,324
Insurance	290,416	250,922
Legal Fees	266,154	251,990
Licence Fees	1,175,121	848,113
Liquor Licencing Tribunal	2,189,290	1,944,571
Operating Leases	2,648,392	2,578,513
Postage	258,827	51,698
Printing and Stationery	467,801	881,448
Rates and Taxes	194,046	151,393
Relocation Cost	-	204,670
Repairs and Maintenance	19,549	10,560
Security	-	1,600
Social and Education Fund	701,312	749,859
Telephone	559,731	350,657
Training	247,554	266,604
Travel and Subsistence	615,657	1,405,705
Water and Electricity	413,935	329,035
Other	69,868	87,742
	<b>17,916,152</b>	<b>16,155,182</b>

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>26. Gain/(Loss) on Disposal of Assets</b>		
Cash Proceeds from Disposals	22,650	6,500
Decrease in Finance Lease Liability due to Assets Transferred	-	507,090
Decrease in Accrued Interest	-	19,414
Book Value of Disposed Items - Note 5	(19,794)	(727,917)
Cost	(25,979)	(853,340)
Accumulated Depreciation	6,185	125,423
<b>Total Gain/(Loss) on Disposal of Assets</b>	<b>2,856</b>	<b>(194,913)</b>
No proceeds were received as disposals either relate to assets which were damaged or obsolete assets which were donated. Insurance claims were received as compensation for the damaged assets.		
<b>The Book Value of Disposed Items are summarised as follows:</b>		
Transferred to Government Motor Transport	-	504,305
Auctioned	-	223,612
Damaged	19,794	-
	<b>19,794</b>	<b>727,917</b>
<b>27. Cash (used in) generated from Operations</b>		
(Deficit)/Surplus	(2,076,918)	2,578,777
<b>Adjustments for:</b>		
Depreciation and Amortisation	2,130,042	1,535,677
(Loss)/Gain on Disposal of Property, Plant and Equipment	(2,856)	194,912
Finance Costs - Finance Leases	68,567	40,182
Impairment Deficit	2,383	-
Operating Lease Liabilities - Increase	221,281	299,666
Current Employee Benefits	(259,460)	18,672
Movements in Provisions	9,720	2,219
Transfer of Assets	-	(828,293)
<b>Changes in working capital:</b>		
Receivables from Exchange Transactions	59,804	(156,926)
Accrued Fines	51,000	(83,000)
Payables from Exchange Transactions	1,035	545,626
Unspent Government Grants	(398,179)	281,304
	<b>(193,581)</b>	<b>4,428,816</b>

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016											
<b>29. Reconciliation of Available Cash and Investment Resources</b>													
Cash and Cash Equivalents - Note 4	4,542,474	6,519,875											
Less: Social and Education Fund Reserve - Note 13	(58,811)	(11,573)											
Less: Provincial Revenue Fund	(797,290)	(1,380,542)											
Less: Unspent Government Grants	(3,613,310)	(4,011,489)											
<b>Net cash resources available for distribution</b>	<b>73,063</b>	<b>1,116,271</b>											
<b>30. Utilisation of Long-Term Liabilities Reconciliation</b>													
Long-term Liabilities - Note 11	2,309,917	2,470,152											
Used to Finance Property, Plant And Equipment - at cost	(1,607,438)	(2,470,152)											
	<b>702,479</b>	<b>-</b>											
<b>31. Irregular Expenditure Disallowed</b>													
Opening Balance	9,458,006	-											
Add: Irregular Expenditure - current year	781,199	9,458,006											
	<b>10,239,205</b>	<b>9,458,006</b>											
<b>Analysis of expenditure awaiting condonation per age classification</b>													
Current Year	781,199	7,125											
Prior Years	7,125	-											
	<b>788,324</b>	<b>7,125</b>											
<table><tr><th>Details of Irregular Expenditure – current year</th><th>Disciplinary steps taken/ criminal proceedings</th></tr><tr><td>SCM process not followed in terms of the applicable legislation with procurement of service</td><td>In process to be condoned</td></tr><tr><td>No SCM process followed</td><td>Has been condoned, no further steps taken</td></tr></table>	Details of Irregular Expenditure – current year	Disciplinary steps taken/ criminal proceedings	SCM process not followed in terms of the applicable legislation with procurement of service	In process to be condoned	No SCM process followed	Has been condoned, no further steps taken	<table><tr><td>776,625</td><td>-</td></tr><tr><td>4,574</td><td>-</td></tr><tr><td><b>781,199</b></td><td><b>-</b></td></tr></table>	776,625	-	4,574	-	<b>781,199</b>	<b>-</b>
Details of Irregular Expenditure – current year	Disciplinary steps taken/ criminal proceedings												
SCM process not followed in terms of the applicable legislation with procurement of service	In process to be condoned												
No SCM process followed	Has been condoned, no further steps taken												
776,625	-												
4,574	-												
<b>781,199</b>	<b>-</b>												
<b>Fruitless and Wasteful Expenditure</b>													
No fruitless and wasteful expenditure was incurred in the current reporting period.													
Add: Fruitless and Wasteful Expenditure - current year	-	1,325											
Less: Amounts condoned	-	(1,325)											
	-	-											

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>32. Deviation from Supply Chain Management Regulations</b>		
Deviations with the Supply Chain Management Regulations were identified and categorised as follow:		
Translation Services	8,800	8,800
Anti-Virus Software	-	93,472
Cleaning Services	-	20,378
Legal Services	-	28,500
Cabinet for SITA	-	14,456
Renewal of VMWARE	60,312	-
Investigation into Irregular Expenditure	249,012	-
Bio-Metric System	206,345	-
Consulting on Green Paper	128,250	-
	<b>652,719</b>	<b>165,606</b>
All deviations were approved by the Governing Board.		
<b>33. Commitments</b>		
<b>Authorised Capital Expenditure</b>		
<b>Already contracted for but not provided for</b>		
Property, Plant and Equipment	487,161	545,104
Intangible Assets	883,539	2,174,907
	<b>1,370,700</b>	<b>2,720,011</b>
<b>Total Capital Commitments</b>		
Already contracted for but not provided for	<b>1,370,700</b>	<b>2,720,011</b>
Capital Commitments will be financed with Grant Funding.		

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

#### Figures in Rand

#### 34. Financial Risk Management

The activities of the Authority expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

##### Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Authority to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions.

The Authority only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

The banks utilised by the Authority for current investments are all listed on the JSE (Nedbank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

Receivables from exchange transactions are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.

Receivables from exchange transactions are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>34. Financial Risk Management (continued)</b>		
Financial assets exposed to credit risk at year end were as follows:		
<b>Financial Instrument</b>		
Receivables from Exchange Transactions	235,769	295,573
Cash and Cash Equivalents	<b>4,542,474</b>	<b>6,519,875</b>

#### Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2017	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term Liabilities	1,037,767	2,744,166	-	3,781,933
Payables from Exchange Transactions	1,970,980	-	-	1,970,980
Unspent Government Grants	3,613,310	-	-	3,613,310
	<b>6,622,057</b>	<b>2,744,166</b>	<b>-</b>	<b>9,366,223</b>
2016	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Long-term Liabilities	980,589	3,582,656	-	4,563,245
Payables from Exchange Transactions	1,969,942	-	-	1,969,942
Unspent Government Grants	4,011,489	-	-	4,011,489
	<b>6,962,020</b>	<b>3,582,656</b>	<b>-</b>	<b>10,544,676</b>

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>34. Financial Risk Management (continued)</b>		
<b>Interest Rate Risk</b>		
Financial assets and liabilities that are sensitive to interest rate risk is cash and cash equivalents.		
The Authority analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Authority calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for cash and cash equivalents as the interest rate on loan payables are fixed.		
The Authority did not hedge against any interest rate risks during the current year.		
The potential impact on the Authority's surplus for the year due to changes in interest rates were as follow:		
0.5% Increase in interest rates (2016 - 0.5%)	22,712	32,599
0.5% Decrease in interest rates (2016 - 0.5%)	(22,712)	(32,599)
	-	-

#### Foreign Exchange Risk

The Authority does not engage in foreign currency transactions.

#### Price Risk

The Authority is not exposed to price risk.

## Part E: Financial Information

### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>35. Financial Instruments Disclosure</b>		
In accordance with GRAP 104 the financial instruments of the Authority are classified as follows:		
<b>Financial Assets</b>		
<b>Financial Instruments at Amortised Cost</b>		
Receivables from exchange transactions	235,769	295,573
Cash and Cash Equivalents	4,542,474	6,519,875
<b>Total carrying amount of financial assets</b>	<b>4,778,243</b>	<b>6,815,448</b>
<b>Financial Liability</b>		
<b>Financial Instruments at Amortised Cost</b>		
Long-term Liabilities	1,873,613	2,143,360
Payables from Exchange Transactions	1,970,977	1,969,942
Unspent Government Grants	3,613,310	4,011,489
Current Portion of Long-term Liabilities	436,304	326,792
<b>Total carrying amount of financial liabilities</b>	<b>7,894,204</b>	<b>8,451,583</b>

#### 36. Events after the Reporting Date

During the financial year the Western Cape Liquor Regulations, 2011:Amended 2017 to the Western Cape Liquor Act 4 of 2008 as amended has been amended by the legislator. The regulations will be published in the Government Gazette on 1 June 2017 and will be applicable from then onwards.

#### 37. In-Kind Donations and Assistance

The Authority did not receive any in-kind donations during the financial year.

#### 38. Private Public Partnerships

The Authority has not entered into any private public partnerships during the financial year.

#### 39. Contingent Liability

The Authority did not have any contingent liabilities at reporting date.



## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

Figures in Rand	2017	2016
<b>40. Segment Information</b>		
<b>General Information</b>		
<b>Specific Segment Reporting</b>		
There are no segments for which separate financial information is available, and therefore the Authority only has one reporting segment.		
<b>Geographic Segment Reporting</b>		
No geographical segment information is available and the cost to develop such information would be excessive. Therefore, no geographical segment information has been disclosed.		
<b>41. Related Parties</b>		
<b>Related Party Transactions</b>		
The Western Cape Department of Community Safety (DOCS) is considered to be a related party, as DOCS has significant influence over the Authority. Mr Dan Plato is the Western Cape Provincial Minister of Community Safety.		
The following related party transactions were also entered with other spheres of government:		
<u>Government Motor Transport</u>		
A related party relationship exists between the Authority and GMT with regard to the management of government motor vehicles of the Authority. The relationship is based on an arms-length transaction in terms of tariffs approved by the Provincial Treasury. Transactions with GMT are included in the following sections:		
Capital redemption of finance lease liability - Note 11	189,635	48,798
Interest paid on finance lease liability included under Finance Charges - Note 23	592,789	691,062
Grants and Subsidies paid - Note 24	-	19,042
Kilometre tariff included under General Expenses (Travel and Subsistence - Note 25)	264,650	622,834
Operating Leases - Vehicles	<b>218,476</b>	<b>201,862</b>

## Part E: Financial Information

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### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes to the Financial Statements

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##### Figures in Rand

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#### 41. Compensation of Management Personnel (continued)

The compensation of management personnel and governing board members' sitting allowances are set out in notes 19 and 20 to the financial statements.

#### Related Party Transactions with Management Personnel

No business transactions have taken place between management officials, close family members of such officials, partner or associate of such officials during the financial year.

## Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

### Notes to the Financial Statements

#### Figures in Rand

#### 42. Explanatory Notes to the Statement of Comparison of Budget and Actual

##### Actual Amounts vs Final Budget

In terms of paragraph 1.6 of the accounting policy only deviations of amounts exceeding R360 000 are reported.

Government Grants and Subsidies were less than budgeted for as the budget includes the roll over cash reserves as well as any cash movements for the year, while the actual amount only reflects the cash movement for the year.

General Expenditure is less than budgeted for due to savings on expenditure over a broad spectrum. The savings are indicative of effective and good procurement of goods and services.

The underspending of R1.9m on the capital budget is mainly due to capital commitments amounting to R1 370 700 (see note 33). The balance is made up of trade and other payables. This underspending has no impact on service delivery.

##### Reconciliation between Cash and Accrual Basis

	Accrual Basis	Adjustments	Cash Basis
<b>Revenue</b>			
Government Grants and Subsidies	36,413,751	(398,179)	36,015,572
Penalties and Fines	1,294,908	51,000	1,345,908
Application Fees	1,352,322	-	1,352,322
Interest Earned - External Investments	524,932	10,054	534,986
<b>Total Revenue</b>	<b>39,585,913</b>	<b>(337,125)</b>	<b>39,248,788</b>
<b>Expenditure</b>			
Employee Related Costs	(20,500,363)	(325,537)	(20,825,900)
Remuneration of Governing Board Members	(354,144)	(22,161)	(376,305)
Depreciation, Amortisation and Impairment	(2,068,298)	2,068,298	-
Finance Charges	(747,829)	(15,967)	(763,796)
General Expenses	(17,916,152)	600,258	(17,315,894)
<b>Total Expenditure</b>	<b>(41,586,786)</b>	<b>2,304,891</b>	<b>(39,281,895)</b>
<b>Deficit for the Year</b>	<b>(2,000,873)</b>	<b>1,967,766</b>	<b>(33,107)</b>
Property, Plant and Equipment	909,954	-	909,954
Intangible Assets	736,283	-	736,283
	<b>1,646,237</b>	<b>-</b>	<b>1,646,237</b>

## Part E: Financial Information

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### Western Cape Liquor Authority

Financial Statements for the year ended 31 March 2017

#### Notes

## **Western Cape Liquor Authority**

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**Western Cape  
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